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

REMODELING
2021

Sustainable Development

INTERIM REPORT 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
Ms. Gu Xiaohui

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
Mr. Huang Lixin

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

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Cayman Islands

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

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Grand Cayman, KY1-1100,
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
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183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

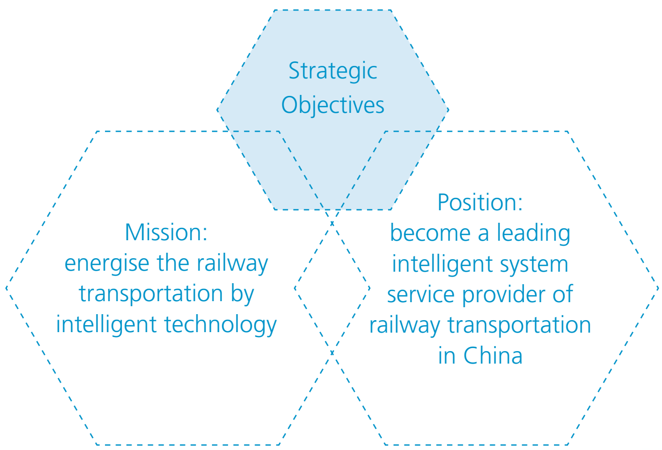
COMPANY OVERVIEW

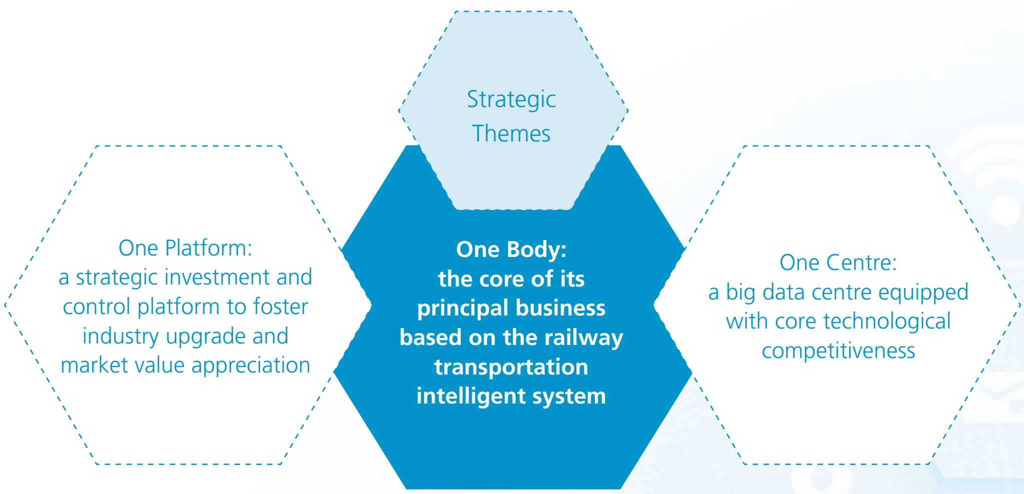
COMPANY INTRODUCTION

The Group is a high-tech enterprise specialising in the field of railway transportation, integrating investment and financing, technology R&D, and intelligent railway transportation construction, operation and maintenance.
The Company was listed on the Growth Enterprise Market (GEM) of the 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 railway transportation industry for more than a decade, focuses on two core businesses, namely:

intelligent railway transportation	Its intelligent railway transportation 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.



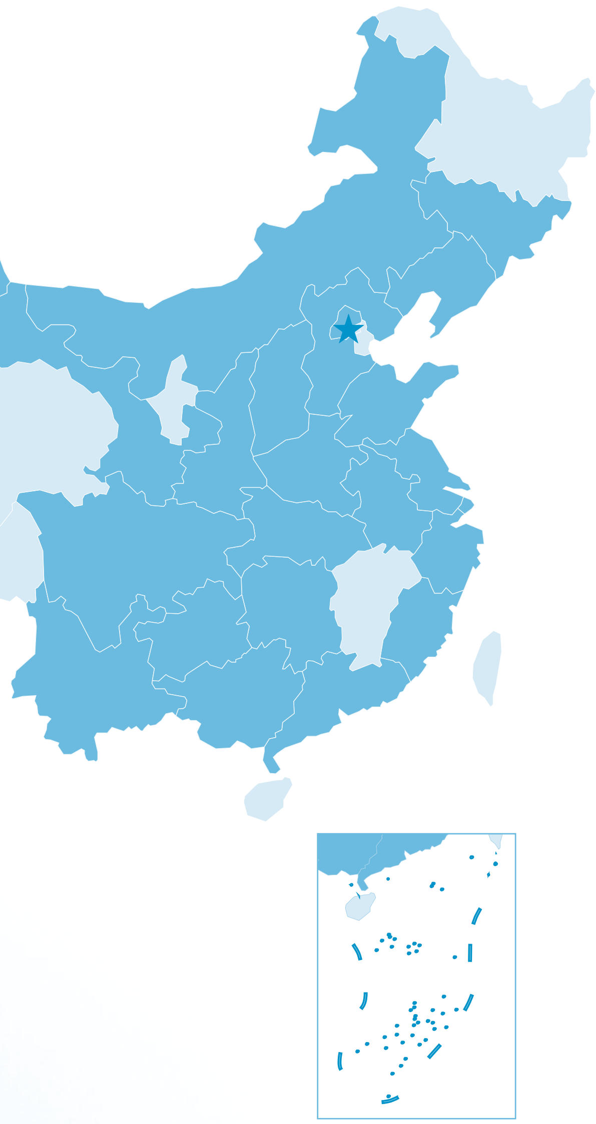


MARKET STRATEGY

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 2021, the Group's businesses covered 48 cities in 27 provinces, municipalities, autonomous regions and special administrative regions in China, where it provided products and services, including intelligent railway transportation and infrastructure information. As for overseas market, it has expanded into 18 cities overseas in 10 countries and regions, where it provided intelligent railway transportation-related (PIS) products and services.

● Areas covered by the our businesses in China



● Areas covered by our businesses overseas

Note: The Group has expanded its footprint to India, Sri Lanka, Indonesia, Costa Rica, the USA, Mexico, Brazil, Bulgaria, Romania, Australia etc.

SUMMARY WITH FIGURES

The Group concentrates on railway transportation for

16 YEARS

Its businesses cover

48 CITIES

in China and

18 CITIES

overseas in ten countries and regions

It owns

100

PATENTS

and obtains

392

SOFTWARE COPYRIGHTS

As of 30 June 2021, the orders on hand of the Group was approximately

HK$2.67 BILLION

Technology company that has achieved MLC standardisation.

CHINA'S FIRST

Cloud-based ANCC system combining ACC and MLC systems.

CHINA'S FIRST

ACC system designed based on the micro-service architecture.

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 railway transportation, intercity railway, and suburban railway.

CHINA'S FIRST

Revenue in H1 of 2021 was approximately

HK$518.3 MILLION

a year-on-year decrease of approximately

2.2%

Profit attributable to equity shareholders in H1 of 2021 was approximately

HK$80.0 MILLION

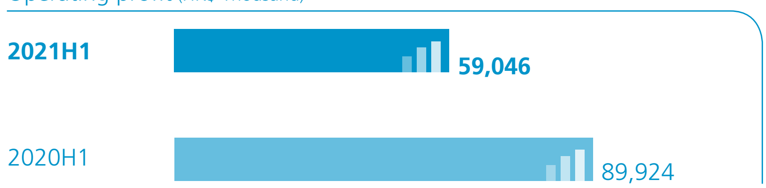
a year-on-year increase of approximately

144.6%

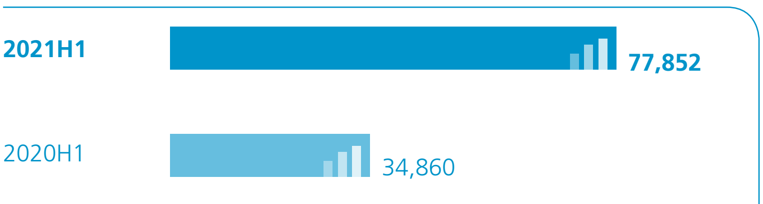
FINANCIAL HIGHLIGHTS

Revenue (HK$ Thousand)

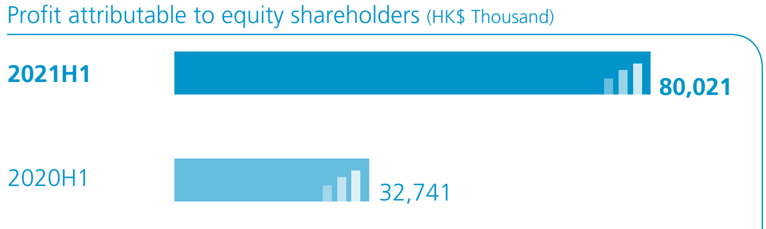
Operating profit (HK$ Thousand)



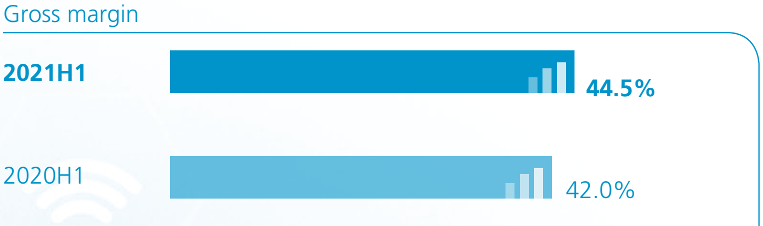
Profit for the Period (HK$ Thousand)



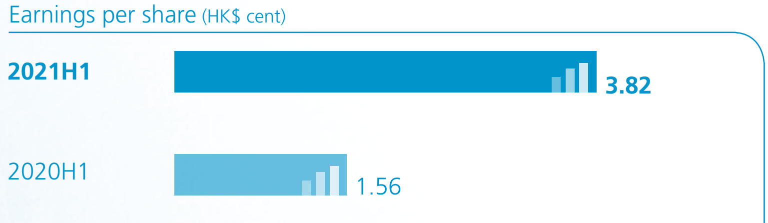
Profit attributable to equity shareholders (HK$ Thousand)



Gross margin



Earnings per share (HK$ cent)



MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS ENVIRONMENT

While taking prevention measures against the pandemic has become the normality, China's urban rail transit industry continued to grow steadily and the market environment is positive in the first half of 2021. Four more cities were approved for urban rail transit operation, namely Luoyang, Shaoxing, Jiaxing and Nanping, with a total of 478.97 km service length during the period. As a result, the total number of Chinese cities with urban rail transit amounts to 49 and the length of rail transit lines spanning a total to over 8,448.67 km as of 30 June 2021. Meanwhile, intercity rail and suburban rail are also in development trend. In the first half of the year, the National Development and Reform Commission has approved the inclusion of intercity rail and suburban rail to be in connectivity mode for upcoming metropolitan cities like Nanjing and Fuzhou; and a multi-type rail transit network of 24 urban rail transit lines, nine intercity lines and 30 suburban lines in the Yangtze River Delta region during the 2021-2025 period with a total investment of approximately RMB1.36 trillion is launched. It shows the importance of suburban-railway and intercity railway to the development of urban agglomerations. In addition, railway construction remained stable and the investment scale stayed at a high level. The fixed-asset investment in railways amounted to approximately RMB298,949 million in the first six months of 2021. New lines that put into operation include Lhasa-Nyingchi Railway, Beijing-Chengde section of Beijing-Shenyang high-speed railway and Xuzhou-Lianyungang High-speed Railway. The railway investments are estimated to reach RMB780 billion with an addition of 3,700 km line length.

In Beijing, rail transit served 1,487 million passengers in the first six months of 2021, and the average daily passenger volume reached approximately 8.218 million, a year-on-year increase of 88.24%, although a short of 19.48% when compared to the same period in 2019, meaning the passenger volume has yet to return to the pre-pandemic level.

Meanwhile, the PRC Government continued to show strong commitment by introducing favourable policies. In February 2021, the National Comprehensive Three-dimensional Transportation Network Planning Outline (the "Outline") was released, reinforcing the goal to build a strong transport infrastructure nation with high efficiency, environmental consciousness, advanced technology and safety by 2035. Eventually, the whole nation will be comprehensively connected to all major cities and district nodes, facilitating the "National 1-2-3 Travel Circle" and "Global 1-2-3 Logistics Circle" initiatives. Besides, operation systems of trunk railway, intercity rail and suburban rail will be interconnected, meaning ticketing, security check, system information, fare collection can be easily shared and interchanged. The Outline laid out the blueprint of China's transport infrastructure development, which is instrumental to the Group's future development.

In the first half of this year, the overall pandemic situation in mainland China was effectively prevented and controlled. Public demand for mobility has fully resurged, passenger volume has been increasing steadily and project bidding, construction and acceptance check in the rail transit sector have been carried out in an orderly manner. It means that the entire industry has basically recovered to the pre-pandemic state. In the meantime, the application of cutting-edge technologies such as cloud computing, big data, artificial intelligence and 5G in rail transit has gradually deepened. Business potential in passenger travelling pattern, behaviour pattern, service pattern and control pattern were further reshaped. New development opportunities have emerged amid the pandemic crisis. However, while the pandemic situation in some overseas regions is raging, the Group's international expansion has been hindered.

In addition, operators and rail vehicle manufacturers put forward higher requirements for products due to the fact that the foremost demand of the industry is gradually shifting from large-scale construction to operation, coupled with the increasing pressure on financial budget. The need for delicacy management in the local government, value for money, safety and environmental consciousness have become fundamental for rail products and services, thereby giving all service providers an impetus to move forward and be competitive in technology and cost efficiency.

BUSINESS OVERVIEW

2021 is the last year for the Group to implement its development strategy of "New Journey and Remodelling 2021" and is also the first year to carry out the strategy of "Quality Improvement and Innovation, Leading 2025", which is of great significance. On the premise of tightened efforts on pandemic prevention and control, the Group focused on consolidating the development of its main businesses by carrying out the established strategy in the first half of the year. It achieved remarkable results in market expansion, implemented product innovation demonstration projects, made continuous breakthroughs in investment and cooperation, and optimised and upgraded management structure. The Group's results grew steadily and its operation quality has continuously improved.

In the first half of 2021, the Group recorded operating revenue of approximately HK$518.3 million during the six months, representing a year-on-year decline of 2.2%, mainly because of the slight delay of individual projects' progress. The recognition of revenue from some projects under construction was delayed. The situation is expected to turn around in the second half of this year. Revenue derived from the intelligent rail transit business fell approximately 10.0% year-on-year to approximately HK$414.1 million, and revenue from the infrastructure information business climbed approximately 49.1% year on year to approximately HK$104.2 million. The Group's gross profit was approximately HK$230.6 million in the first half of this year, a year-on-year increase of 3.6%. The consolidated gross margin increased by 2.5 percentage points to approximately 44.5%.

The Group reported net profit of approximately HK$77.9 million for the first half of 2021, a year-on-year surge of 123.3%. On the one hand, the 4G civil communications business in the Group's infrastructure segment saw sustained growth, which pushed up net profit margin. On the other hand, returns on investment increased significantly during the period. Beijing Metro Co., Ltd.* ("Beijing Metro"), the Group's joint venture in which it holds 49% stake, contributed profit of approximately HK$35.7 million, and has reached an income risk sharing and benefit sharing mechanism in connection to the operating income rights of Capital Airport Express and Floor 2-6 of Dongzhimen Terminal with Beijing Dongzhimen Airport Express Rail Co., Ltd., the transferor of such rights, with which Beijing Metro will gain compensation if its actual income is lower than the baseline income. As the passenger flow of Capital Airport Express recovered steadily in the first half of 2021, Beijing Metro saw growth in net profit during the period. The returns on the Group's investment in Beijing Metro will gradually become stable and sustainable in the future.

In the first half of 2021, the Group's net outflow from operating activities was approximately HK$1.1 million. The gearing ratio was 42.5%. Its debt level was reasonable and controllable. The Group's cash and bank balances stood at approximately HK$1,104.6 million as at 30 June 2021, a rise of approximately HK$120.8 million from approximately HK$983.8 million recorded as at 31 December 2020.

The Group has been paying close attention to pandemic prevention and has adopted various measures to actively respond to the impact from the pandemic. In China, the latest resurgence has spread across some regions. The progress in the Group's Automatic Fare Collection Clearing Centre ("ACC") project in Foshan is lagging due to the outbreak of COVID-19 in Guangdong province. The spread of the pandemic continues overseas and the situation in India is particularly serious. The Group received a notice of delay in its projects in Mumbai and Pune from its clients, which caused some difficulties to its business development and project implementation. However, on the whole, the Group's businesses were less affected by the pandemic and the operation was in a stable order in the first half of 2021.

Extremely heavy rainfall hit many parts of Henan province in July of 2021. Torrential rains hit Zhengzhou on 20 July 2021, resulting in a serious damage to the Zhengzhou's subway. The hardware, software and infrastructure facilities on several subway lines were damaged or even destroyed. The Group immediately made a response and rushed to the scene to carry out emergency repairs and rescue work, contributing to the early resumption of Zhengzhou's subway and city operations.

BUSINESS REVIEW

In the first half of this year, the two major businesses of the Group, intelligent railway transit business and infrastructure information business, have steadily implemented the projects under construction, including Beijing Subway Line 11's Automatic Fare Collection System ("AFC") project, Shaoxing's weak current system integration project, Zhengzhou's big data project, Passenger Information System ("PIS") project in Suzhou and Hangzhou and Beijing New Airport's utility tunnel project, in a smooth and orderly manner, aiming to provide safe, high-quality, green and eco-friendly solutions covering the full lifecycle of rail transit for local clients. Meanwhile, the Group stepped up efforts on research and development. With cutting-edge technologies, efforts were made to enrich and upgrade its product ranges, efficient flattening of the technology architecture, the integration of business directions, and the intellectualisation of professional systems. Finally, a new generation of intelligent rail transit technology architecture with "management in the cloud and service in the terminal" will take shape. Moreover, the Group kept optimising strategic investment and industrial investment that focused on industrial upgrading and improvement of industrial competitive advantages. Actions were taken to improve and empower the control model, strengthen business synergy, build an industrial ecosystem, and actively develop and expand emerging business areas, such as new media and vocational training associated with rail transit.

With years of rich project experience and technical advantages, as at 30 June 2021, the orders on hand of the Group were approximately HK$2.67 billion, a year-on-year growth of approximately HK$610 million from approximately HK$2.06 billion as at the end of 2020. In terms of market expansion, it expanded its footprints to one more city in Mainland China, namely Nagqu in Tibet, and another country, namely Australia, and another two cities in two countries, namely India's Bangalore and Brazil's St. Paul. The Group's businesses have currently covered a total of 48 domestic cities and 18 overseas cities in 10 countries and regions. It further implemented its market strategy of "relying on Beijing and Hong Kong, expanding across the country, and making presence in international markets".

BUSINESS ANALYSIS BY SEGMENT

Intelligent Railway Transportation Business

The Group's intelligent rail transit business mainly involves PIS, AFC, ACC and Traffic Control Centre ("TCC"). The Group achieved a revenue of approximately HK$414.1 million in the intelligent railway transportation business, a year-on-year decrease of 10.0%, which is mainly due to slight delay in revenue recognition of some projects in the first half of 2021. It won the bidding of 133 new projects and contracted projects, representing a year-on-year increase of approximately 24.3%. It consolidated improvement of order base and ensured the continuous growth of income sources.

According to market statistics, the number of urban rail transit vehicles with the Group's on-board PIS service amounted to approximately 1,310 units, accounting for approximately 34.91% market share. It came first in the industry.

Business in Beijing: Improving and consolidating the foundation

As far as its intelligent rail transit business is concerned, the Group further solidified its leadership in Beijing with diverse business areas and expanded coverage of the industry chain. Several benchmark projects produced prominent demonstration effect. The number of its new bid-winning projects and newly signed contracts totalled 48 in the first six months of 2021, including:

– It signed a deal on the AFC equipment procurement and installation project for the western section of Beijing Subway Line 11 (Winter Olympics branch line), which is valued at approximately RMB22.7 million. The project is among the first batch of AFC projects that are implemented with AFC standardised equipment design scheme and also among the first batch of lines that connect the Beijing's rail transit cloud platform, which is of benchmarking significance;

– It is the bid winner of Beijing Subway Line 12's on-board PIS project worth approximately RMB26.8 million. The 4+4 flexible marshalling technology was used in the project for the first time, which achieved the intelligent operation of trains;

– It signed contracts on the connection of lines, including Beijing Subway Line 3's phase I project, Line 12, Line 17, Line 19's phase I project and Line 11's western section to a cloud platform project. The projects worth a total of approximately RMB56.18 million. This helps the Group to accumulate project experience in urban rail cloud application, multi-specialty clouding, multi-line access, cloud platform operation and maintenance;

– It signed a contract on Beijing Suburban Railway's AFC system operation and maintenance project valued at approximately RMB7.50 million, providing guaranteed support for expanding its business types and better serving the construction of transportation in the capital city;

– It inked a deal on the safety supervision and management platform project of Beijing Infrastructure Investment Co., Ltd. (BII) worth approximately RMB5.79 million, with a view to enhancing delicacy management, preventing and curbing major accidents, achieving information-based safety management and improving safety supervision and management level; and

– It signed the Beijing Subway Line 11's intelligent security officer project worth approximately RMB6.08 million. To cater to the specific application requirements for railways, the Group developed an intelligent audio and video analysis algorithm based on deep machine learning to establish an intelligent security officer analysis system.

Business outside Beijing: Stepping up presence and expanding businesses

The "Beijing products + Beijing model" has been successively extended to regions outside Beijing based on the established market strategy, the rich and diversified rail transit product systems and years of accumulated project experience. A regional hub was gradually being built, and the synergy effects began to emerge. The Group successively secured orders in Shaoxing, Shenzhen, Shenyang, etc. in the first half of 2021. The number of new bid-winning projects and newly signed contracts outside Beijing totalled 73 during the period, including:

– It signed a contract on Shaoxing Metro Line 1's low current integration project worth approximately RMB555 million and involving nine specialities, which is the first landmark project undertaken by the Group as the master integrator. This laid a foundation for the establishment of the Group's brand image and improvement of industry influence outside Beijing;

– It also signed a contract on Shaoxing Metro Line 1's platform screen door project valued at approximately RMB75.62 million, which is the Group's first platform screen door project outside Beijing;

– Another two contracts it signed are about Shenzhen Metro Line 16's PIS project valued at approximately RMB34.71 million and Shenzhen Metro Line 12's PIS project valued at approximately RMB41.21 million, which further increased its market share in Shenzhen Metro market;

– It won the bidding of Shenyang Metro Line 4's PIS project for approximately RMB25.23 million, in which it will showcase the implementation of intelligent and innovative technologies in trains;

– It is the bid winner of Zhengzhou Metro Line 17's PIS project worth approximately RMB11.75 million. It continued to consolidate the position of Zhengzhou as one of the Group's regional hubs outside Beijing. Business synergy is favourable;

– Another bid-winning project is Urumqi Metro Line 1's network security level protection project worth approximately RMB13 million, covering three major low current systems, namely integrated monitoring, signaling and AFC;

– It signed a deal on the platform screen door procurement project concerning Zhengzhou-Xuchang City Railway's No. 5 and No. 6 projects, valued at approximately RMB13.45 million. The project is the Group's first platform screen door project outside the urban rail transit sector;

– The contracts on Foshan Metro Line 3's PIS project and Guangzhou Metro Line 7's western PIS project are worth approximately RMB9.90 million and RMB5.11 million, respectively. They contribute to the development of rail transit network in the Greater Bay Area;

– It won the bidding of Wenzhou Metro Line S2's PIS project for approximately RMB20.44 million; and

– In Hong Kong, the Group won the bidding of and signed contracts on 17 projects from and with clients, including Mass Transit Railway, New World First Bus, Citybus and Kwoon Chung Bus, in the first half of 2021. The projects were valued at approximately HK$14.96 million.

Furthermore, the Group also actively participated in the intelligentisation of the rail transit systems in Shanghai, Chengdu, Changsha, Jiaxing, etc, by providing full-lifecycle information equipment and diversified solutions, contributing to the development of multiple urban agglomerations and metropolitan areas.

Overseas business: Maintaining steady development and making breakthroughs

Affected by the severe pandemic situation abroad, the Group's international business expansion has been hindered to some extent. On the one hand, salesmen of the Group were unable to apply for visas and go abroad to negotiate business. On the other hand, due to the intensification of the pandemic in India, a number of ongoing projects have been postponed. However, with technical advantages and rich project experience, its move to step up presence in the Indian market has still generated remarkable results. The Group won the bidding of and signed contracts on 12 overseas projects in the first half of 2021, including:

– It won the bidding of India's Bangalore Metro Phase II's PIS project for approximately RMB29.61 million. Bangalore is the seventh Indian city the Group tapped into;

– It signed an approximately RMB69.9217 million worth of contract on the PIS project of India's Mumbai Metro Lines 2 and 7. It is the first project in India that the Group cooperates with India's Bharat Earth Movers Limited (BEML);

– Another project it signed is Pune Metro's PIS project in India worth approximately RMB24.361 million. It is the first project in India that the Group cooperates with Titagarh; and

– It is the bid winner of the CCTV renovation project of DTT train in Queensland, Australia. It is the first Australian project the Group has taken up.

Infrastructure Information Business

The Group's infrastructure information business mainly involves civil communications and utility tunnels. At the same time, it explored new opportunities arising from the "intelligent plus" field. The Group achieved operating revenue of approximately HK$104.2 million, a year-on-year increase of 49.1%, in the infrastructure information business during the period. The main business proceeded smoothly and the innovation business expanded constantly.

Civil communications: Consolidating basic businesses and innovating in value-added services

The Group continues as an investor and operator in civil communications in Beijing's rail transit sector. The civil communications transmission system it invested for Capital Airport Express' western extension line, Beijing Subway Line 11's western section, Line 17's southern extension line, Line 19's Phase I project and Qinghe Station in Changping Line's southern extension line in the first half of 2021 has been under construction, which is expected to be launched along with the trunk lines at the end of this year.

In addition, the Group consistently supports the construction of a civil communications network for Beijing Subway. The Group has reached an initial intention on optical fibre leasing with partners. The leasing of cabinets is under negotiation. It explored the business model and feasibility of a free network for subway passengers by virtue of EUHT (Enhanced Ultra High Throughput) technology, in a bid to diversify and innovate in value-added services. The seven new civil communications projects it won and signed during the period were valued in the amount of approximately RMB52.0823 million.

Utility tunnel business: Guaranteeing key projects and upgrading products in an intelligent way

An intelligent utility tunnel system, an important part of smart cities, is designed to operate and manage utility tunnels with Internet of Things, big data, cloud computing and artificial intelligence and to realise "intelligent perception, intelligent management and intelligent decision-making".

With independent innovation and at the request of clients, the Group successively upgraded its self-developed products, including an intelligent operation, maintenance and management platform for utility tunnels, rich communication suite and local control unit (LCU), and set up a three-level management structure comprising the project level, company level and city level. The purpose is to achieve the integrated management of multi-level utility tunnels, improve the intelligent management and operation and maintenance of utility tunnels, and promote the popularisation of self-developed products. The utility tunnel projects of Beijing New Airport and the eastern extension of Beijing Subway Line 7 implemented by the Group made steady progress in the first half of 2021.

In the first half of 2021, the Group won the bidding of and signed new contracts on 11 utility tunnel projects. The internal statistics showed that its utility tunnel business had a market share of approximately 55% in Beijing.

"Intelligent plus": Integrating cutting-edge technologies and expanding application scenarios

The Group gradually explored and created intelligent building sites, intelligent parks, intelligent transit-oriented development (TOD), intelligent communities and other application scenarios with use of combined technologies, including artificial intelligence, big data and cloud computing. It increased R&D investments in project planning, system construction and incubation of products, etc.. It explored application in the "intelligent plus" field in the first half of this year and gradually obtained orders.

The Group signed a deal on the establishment of a security control information platform for Beijing Municipal Administrative Center worth approximately RMB9.59 million, which is an important breakthrough of the Group's continuous exploration in the field of intelligent TOD. The project coupled with a mixed use of a lightweight method of building information model ("BIM") and geographic information system ("GIS"), Rich Communication Services ("RCS") were used to locate constructors and large machinery. The Group can perform intelligent operations, including eliminating potential danger by using trackbacking technology to trace supervisors and constructors. Currently, the security control information platform will be gradually upgraded to version 2.0. An external demonstration window will be created.

In terms of other "intelligent plus" scenarios, the Group's self-developed service management system for parks has been launched in BII's premises. The Group has made a survey on needs for an intelligent community control platform that has become operational before upgrading. After updating, the platform will be compatible with more standardised products, which will meet the needs of most community business forms. An Internet of Things monitoring platform has been used in equipment room monitoring projects associated with civil communications, and IoT sensors are being installed in various stations' equipment rooms. It has analysed the need for an intelligent hub platform. It is now in the top-level design stage.

In the first half of 2021, the Group won the bidding of and secured contracts on eight projects in the "intelligent plus" field, mainly including the security control information platform project for Beijing Municipal Administrative Center, Beijing Subway Line 11's intelligent building site project and Beijing Daxing International Airport's infrastructure renovation project. The projects were valued at approximately RMB14.9446 million.

RESEARCH, DEVELOPMENT AND INNOVATION

Increasing investment in R&D, and effectively innovating in products and technologies

The total investment in R&D amounted to approximately HK$78.5 million in the first six months of 2021, representing a year-on-year rise of approximately 39.2%. The R&D investment accounted for 15.2% of its first-half revenue. The income was mainly invested in the R&D of software, systems and product standardisation related with its existing businesses, such as AFC/ACC/TCC/PIS, upgrading of mature products like utility tunnels, as well as expansion of intelligent building sites, intelligent parks and intelligent hubs in the "intelligent plus" field.

Intelligent rail transit: Putting technologies first to create complete intelligent business platforms

The Group, which concentrates on technology R&D, started with forward-looking product planning and research and sought collaborative innovation to create integrated intelligent rail transit solutions. Relying on big data, cloud platform and other advanced technologies, it built five business platforms covering intelligent passenger service, intelligent transportation organisation, intelligent operation and maintenance management, intelligent technology and equipment, and intelligent construction management to increase the added value of products and enhance industrial integration capabilities. In the meantime, the industry's first clearing centre system developed by the Group and designed on a microservices architecture has been applied in Taiyuan's ACC project and runs well. It is China's first network centre system using Platform as a Service ("PaaS"). The unified rail transit data access platform, the core product of the Group's big data middle platform planning, visually configures data in an innovative way to meet data acquisition and access functions of network and line systems, which saves cost greatly. Currently, the platform has been upgraded to version 2.0 and has been applied in Beijing Subway Line 11. Intelligent products, including intelligent cameras for security officers, visual alarms for passengers, remains and coupler detecting system, and prognostics and health management ("PHM") edge host, have been applied in Beijing Subway Line 11, Shenzhen Metro Line 12, Beijing 200 km/h municipal railway line and other projects on a pilot basis.

Smart cities: Making innovation and setting up a multi-dimensional service system

The version 2.0 of the Group's security control information platform is the industry's first all-round and three-dimensional security control information platform with full staff participation, full level control and full business coverage, which can meet the needs of security control in the construction process, such as hidden danger investigation and elimination, risk safety control, emergency response, schedule management, personnel and machinery positioning, live video surveillance and field environmental monitoring. Intelligent service management system platform for parks relies on artificial intelligence, Internet of Things, big data and other cutting-edge technologies to intelligentise corporate security management, convenient mobility, performance optimisation, collaborative office, administrative service and other businesses. The version 2.0 of the intelligent community platform has a two-level control and service innovation system covering communities and sub-districts, which achieves real-time control and service of personnel, space and environment in communities.

Attaching importance to intellectual property protection and improving brand image

The Group obtained 15 patents (100 in total) and 48 software copyrights (392 in total) in the first half of 2021, which further enhanced the quantity of related certificates and the quality of independent intellectual property rights and strengthened its soft power.

The Group, which became a standing council member of the China Association of Metros in the first half of this year, further strengthened the business communication with industry associations and other members. It actively attended industry activities like spring forum of RT FORUM 2021, and exchanged views and cooperated with clients in Fuzhou, Hefei, Ji'nan, Nanjing, etc. in diverse ways and at multiple levels. In addition, the Group won the "Award of excellent intelligent rail transit solution in China for 2020" and other awards, which raised its brand awareness and established the image as an intelligent technology company.

INVESTMENT AND COOPERATION

In the first half of 2021, starting with the development of its main businesses, the Group invested in intelligentisation and informatisation and kept close eyes on rail transit infrastructure monitoring, power supply automation, information-based operation and maintenance and other segments that have good market prospects, in order to create new business growth points, promote industrial upgrading and pattern expansion. Meanwhile, the Group continued building an enabling post-investment management model to meet strategic development requirements, tighten group control, establish an ecosystem of main businesses and promote the coordinated development of all business units.

The Group continues to step up efforts on the differentiated management and integrated coordination of firms in which it holds a stake, including:

– The passenger volume of Capital Airport Express operated by Beijing Metro returned to the pre-pandemic levels in an orderly manner. Meanwhile, Beijing Metro was active in trying to obtain rights to operate new lines in and outside Beijing, and continuously reduced costs and increased benefits, which enabled it to see significant year-on-year growth in both revenue and profit in the first half of 2021;

– On the basis of consolidating the main businesses of AFC operation and maintenance and system integration, Beijing Metro Science and Technology Development Co., Ltd, the Group's joint venture, actively expanded intelligent operation and maintenance, information security assessment and other services. However, as priorities have not been given to periodic maintenance of Beijing Subway's AFC systems and some system integration projects have not been finished, the first-half net profit decreased compared to a year ago;

– The number of registered users of Yitongxing APP has reached approximately a total of 29 million. The passenger volume using Yitongxing QR code for subway fare payment accounted for approximately 38% of the total passengers in Beijing's rail transit network. In the first half of this year, payment via Apple Pay, UnionPay QuickPass, ICBC's digital currency and other functions were enabled in Yitongxing. Moreover, QR code scanning in metro lines of Beijing, Shanghai, Tianjin and Guangzhou has been interconnected, which continuously improving the mobility convenience for passengers; and

– The Group continues to explore potential joint-venture and cooperation projects in the rail transit field via Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Partnership)* (保定基石連盈創業投資基金中心(有限合夥)) ("Cornerstone Lianying"). It carefully selected investment targets and incubated high-quality companies. Cornerstone Lianying is now pulling out of projects, some of which brought in good returns. Meanwhile, the Group has continued to participate in investment of Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership)* (北京基石創盈投資管理中心(有限合夥)). It integrates high-quality resources in related industries to play a synergistic effect.

PROSPECTS

In the second half of 2021, the overall rail transit market will still be in the incremental stage. The length of the new urban rail transit lines is expected to reach approximately 700 km in the second half of the year. One additional city will open rail transit lines. The investment in railway in the second half of the year is expected to account for approximately 62% of annual investment budget of 2021. New lines, including Ganzhou-Shenzhen high-speed railway and the Anhui section of Beijing-Hong Kong high-speed railway, are expected to come into operation.

The Group will adhere to the established strategies to develop intelligent rail transit and infrastructure information businesses, in a bid to enhance its core competitiveness. It will continue to deepen the market strategy of "relying on Beijing, expand across the country, and to make presence in international markets". Specifically, close attention will be paid to the development of rail transit sector in key regions, such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area and Chengdu-Chongqing Metropolitan Area. Priorities will be given to the expansion in Wuhan, Xi'an, Chengdu, Nanjing, Shaoxing, etc.. Relying on the urban rail transit industry, the Group will strengthen the internal coordination of market sales, extend the business coverage, and explore innovative businesses and products in the "intelligent plus" field, such as intelligent communities, intelligent streets and intelligent hubs.

Meanwhile, the Group will accelerate the implementation of its orders on hand in the second half of this year. Measures will be taken to press ahead with Shaoxing project, Beijing Subway Line 11 and other projects, follow up Beijing Subway Line 8 and Line 3 rail tunnel projects and effectively ensure the quality of project implementation to systematically and comprehensively satisfy the needs of clients, continuously accumulate project experience, and create high-quality benchmark demonstration projects.

Furthermore, the Group will keep abreast of the development trend of digital and intelligent rail transit, and remain focused on the intelligent rail transit industry, with emphasis on rail transit monitoring, operation and maintenance automation, integrated security and other segments with good market prospects. With technological innovation as the starting point and integrated innovation as the effective means, the Group will perfect the strategic investment platform focusing on industrial upgrading and market value appreciation, and strive to build a big data centre with core technological competitiveness. Big data middle platform will be upgraded. It will work out the technical scheme for an intelligent rail transit cloud platform and will enthusiastically involve in the establishment of an intelligent rail transit platform in Beijing. Efforts will be made to improve its main businesses' competitive advantage in technology and innovate in integration services, aiming to provide clients with full-lifecycle solutions for rail transit and seek the rapid development driven by "investment + innovation".

* *For identification purposes only*

FINANCIAL REVIEW

Overview

The Group recorded revenue of approximately HK$518.3 million and gross profit of approximately HK$230.6 million during the six months ended 30 June 2021, a year-on-year decrease of approximately 2.2% and a year-on-year growth of approximately 3.6%, respectively. Its selling, general and administrative expenses were approximately HK$115.7 million, a year-on-year increase of approximately 17.9%. The net cash outflow from operating activities went down approximately 91.4% year on year to approximately HK$1.1 million. As at 30 June 2021, the Group's gearing ratio was approximately 42.5%.

Analysis of Changes in Major Items in Profit Statement

	As at six months ended 30 June		
	2021	2020	Increase (Decrease)
	HK$'000	HK$'000	(%)
Revenue	**518,272**	530,060	(2.2%)
Cost	**287,656**	307,440	(6.4%)
Gross profit	**230,616**	222,620	3.6%
Selling, general and administrative expenses	**115,687**	98,138	17.9%
Research and development expenses	**78,523**	56,405	39.2%
Investment gains/(losses)	**41,805**	(28,308)	/
Profit attributable to equity shareholders of the Company	**80,021**	32,741	144.6%

Revenue

The Group's revenue mainly comes from intelligent rail transit and infrastructure information businesses. Revenue from intelligent rail transit and infrastructure information businesses in the first half of this year was approximately HK$414.1 million and approximately HK$104.2 million respectively.

Revenue derived from the intelligent rail transit business was approximately HK$414.1 million in the first half of this year, representing a year-on-year drop of approximately HK$46.1 million or 10.0%. The drop is mainly attributed to the deferred delivery and acceptance check of some orders due to the pandemic. In addition, some key projects, including Shaoxing project, cloud platform project of Beijing Subway Line 11's western section and Foshan ACC project, are expected to be delivered in the second half of 2021. So, revenue in the first half of this year fell slightly from the corresponding period of last year.

Revenue derived from the infrastructure information business amounted to approximately HK$104.2 million, representing a year-on-year increase of approximately HK$34.3 million or 49.1%. The increase in revenue of this segment was mainly due to the sustainable growth of the 4G civil communications transmission business.

In terms of revenue by region, the Group's first-half revenue in the first half mainly came from mainland China and Hong Kong. Its first-half revenue in mainland China stood at approximately HK$469.0 million, a decrease of approximately HK$39.9 million or 7.8% from that recorded during the six months ended 30 June 2020. This is largely because the delivery of some orders was delayed and the majority of some key projects are expected to be delivered in the second half of 2021 due to the pandemic as mentioned above. So, revenue declined from the corresponding period of last year. The Group recorded a revenue of approximately HK$27.2 million in Hong Kong, representing an increase of approximately HK$6.1 million or 28.9% from the same period of last year, primarily due to the order growth in the operation and maintenance business. Meanwhile, the Group recorded a revenue of approximately HK$22.1 million in India.

Cost of sales and gross profit

The Group's cost of sales stood at approximately HK$287.7 million in the first six months of 2021, a year-on-year decrease of approximately HK$19.7 million or 6.4%. It recorded a gross profit of approximately HK$230.6 million, an increase of approximately HK$8.0 million or 3.6% from a year earlier. Its cost of sales fell during the period. The increase in gross profit is due to the fact that the gross margin in 4G civil communications services in the infrastructure information sector went up further and the Company's gross margin rose as well.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses were approximately HK$115.7 million in the first half of 2021, representing a year-on-year rise of approximately HK$17.6 million or 17.9%. One reason is that expenses for business trips dropped as online and remote working model was adopted due to pandemic. Besides, the Group was granted exemption from social insurance contributions in the first half of 2020, but its expenses went up due to the resumption of operating activities and payment of social insurance premiums in the first half of 2021.

Research and development expenses

The Group's first-half research and development expenses were approximately HK$78.5 million, representing a year-on-year increase of approximately HK$22.1 million or 39.2%. 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 income

The Group accomplished an investment income of approximately HK$41.8 million in the first half of 2021, versus an investment loss of approximately HK$28.3 million in the corresponding period of last year. The rebound in investment income is largely because the Group's joint venture Beijing Metro has reached an income risk sharing and benefit sharing mechanism in connection to the operating income rights of Capital Airport Express and Floor 2-6 of Dongzhimen Terminal with Beijing Dongzhimen Airport Express Rail Co., Ltd., the transferor of such rights, and Beijing Metro saw a growth in net profit for the period due to an increase in the passenger flow of Capital Airport Express.

Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company was approximately HK$80.0 million during the period, a year-on-year surge of approximately HK$47.3 million or 144.6%.

Liquidity, financial and capital resources

Capital structure

As at 30 June 2021, the Company issued a total of 2,097,146,727 shares, with HK$0.01 per ordinary share (as at 31 December 2020: 2,097,146,727 shares issued, with HK$0.01 per ordinary share).

Cash position

As at 30 June 2021, the Group's cash and bank balances were approximately HK$1,104.6 million (as at 31 December 2020: approximately HK$983.8 million).

Bank borrowings and charges on the Group's assets

As at 30 June 2021, the Group's borrowings were approximately HK$552.5 million, of which HK$500 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company BII. The remaining were bank borrowings of approximately HK$52.5 million (31 December 2020: approximately HK$571.4 million). As at 30 June 2021, the Group had no assets pledged (31 December 2020: Nil).

Working capital and gearing ratio

As at 30 June 2021, the Group had current assets of approximately HK$3,015.9 million (31 December 2020: approximately HK$2,828.9 million), while its current liabilities were approximately HK$1,858.2 million (31 December 2020: approximately HK$1,654.5 million), resulting in net current assets of approximately HK$1,157.7 million (31 December 2020: approximately HK$1,174.4 million). As at 30 June 2021, the current ratio, calculated based on current assets divided by current liabilities, was approximately 1.6 (31 December 2020: approximately 1.7).

Gearing ratio is calculated based on total debts at the end of a period divided by total assets at the end of such period. As at 30 June 2021, the Group's gearing ratio was approximately 42.5% (31 December 2020: approximately 40.6%).

Cash flow

	As at six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Net cash used in operating activities	**(1,105)**	(12,762)
Net cash gained for/(used in) investing activities	**172,297**	(78,783)
Net cash used in financing activities	**(40,124)**	(4,777)
Net increase/(decrease) in cash and cash equivalents	**131,068**	(96,322)

The Group's net cash outflow from operating activities stood at approximately HK$1.1 million during the period, a decline of approximately HK$11.7 million or 91.4% as compared to that of approximately HK$12.8 million for the same period of the last year. The net cash flow from operating activities improved as the Group has strengthened the collection management of project payments, prioritised project payments and formulated a reasonable plan for cash flow from operating activities. Cash gained for investing activities was approximately HK$172.3 million, which was mainly due to the fact that it got back the investment funds with the maturity of wealth management products of banks. Cash used in financing activities was approximately HK$40.1 million, largely because that the short-term bank loans borrowed by the Group in the same period of the previous year were due for repayment in the first half of 2021, and the cash outflow from financing activities increased.

Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

Interim dividend

The Board proposed no interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil). The Group will keep cash on hand to fund its continuing business development as well as future investment opportunities.

Employees and remuneration policies

As at 30 June 2021, the Group employed a total of 884 employees (30 June 2020: 903). The total staff costs (including directors' remuneration) were approximately HK$134.7 million in the first half of 2021.

The Group reviews remuneration package with reference to the market pay level and employees' performance, and adjusts remuneration according to their 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, housing provident fund and supplementary medical insurance in mainland China, and contribution to the Mandatory Provident Fund scheme and insurances in Hong Kong. The Group also organised professional and vocational trainings for its employees.

INVESTMENT PROJECTS MADE IN THE FIRST HALF OF 2021

BII Zhongfu Technology Co., Ltd* ("BII Zhongfu"), the Group's subsidiary, completed an additional capital injection of RMB40 million into holding company BII Xin An ("BII Xin An") through undistributed profit transfer and cash injection in April 2021. BII Xin An's registered capital increased to RMB50 million.

As at 30 June 2021, the Group subscribed for approximately HK$40.9 million (31 December 2020: HK$219.8 million) of guaranteed wealth management products with non-fixed income that were issued by financial institutions. It gained approximately HK$1.7 million from wealth management products for the six months ended 30 June 2021.

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 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 Capital Airport Express, Dongzhimen Terminal and new lines of the Beijing Subway.

Beijing Metro is a private company whose quoted market price is not available. As at 30 June 2021, the carrying amount of the Group's net assets in Beijing Metro calculated by equity method was approximately HK$240.7 million, accounting for approximately 5.3% of the Group's total assets as at 30 June 2021. As at 30 June 2021, Beijing Metro's profit attributable to the Group was approximately HK$35.8 million, mainly because Beijing Metro reached an income risk sharing and benefit sharing mechanism with the transferor of operating income rights, and the passenger flow of Capital Airport Express recovered steadily in the first half of this year. The Company did not receive any realised or unrealised gain or loss or any dividends from Beijing Metro. The returns on the Group's investment in Beijing Metro will gradually become stable and sustainable in the future.

Save as disclosed, there were no other significant investments, material acquisitions or disposals of subsidiaries and affiliated companies, and other plans for material investments or capital assets for the six months ended 30 June 2021.

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

The investment in the rail transit industry has gradually slowed down and the competition has gradually intensified due to the shift from large-scale construction to operation in the domestic rail transit industry. In recent years, the industry showed obvious periodicity, with clear fluctuations in the average annual order quantity and amount. At the same time, the COVID-19 outbreak is likely to continue for a period of time in the future. Coupled with the resurgence in some regions of China and the spread of the outbreak abroad, it will have an impact on the Group's market expansion at home and abroad. Therefore, the Group will pay constant attention to the national economy, politics and industry development, in order to make correct judgments about the industry and market in advance and carefully assess the political situation in a country or region where it plans to operate businesses. Following China's foreign policies, it tends to make presence in countries along the "Belt and Road" that are politically stable and have good diplomatic relations with China. It seeks to manage risks.

Meanwhile, the Group will upgrade product functions, enrich product ranges and offer rail transit solutions covering "construction + operation and maintenance" that integrate multiple systems, in a bid to respond to clients' request for intelligent products and satisfy the needs for full-lifecycle solutions instead of single-purpose products and services. Guided by the "product + service" model, the Group will rely on standardised products and professional services to provide full-lifecycle products and services.

Investment risks

The Group is faced with risks from unsatisfactory performance of its investees and from failure to effectively integrate to produce synergistic effects. At the same time, due to the gradual popularisation of the registration-based IPO system, many outstanding companies choose to go public, reducing the number of potential merger and acquisition (M&A) targets in the rail transit industry. In view of this risk, the Group should strengthen the research and judgment of the market, participate in the operation and management of investees and guide them to cut costs and increase benefits. It should accelerate the launch of new businesses and new products by investees, integrate resources, and strengthen internal coordination and cooperation. Risks should be constantly identified in the operation process and effective preventive measures should be laid down. With focus on investment in intelligent and information businesses, the Group will actively expand the investment field around the upstream and downstream of the main businesses.

Foreign exchange exposure

The Group has six major subsidiaries, with one established in Hong Kong and the remaining five 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 at 30 June 2021, 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 lock exchange rate from exchange to euro. It will pay close attention to forex risks.

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 2021, 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	11.66%
	The Company	Beneficial owner	800,000	0.04%
				11.70%
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 2021, 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 2021, 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	11.66%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse (Note 2)	245,457,815	11.70%
Beijing Infrastructure Investment (Hong Kong) Limited* (京投（香港）有限公司) ("BII HK")	Beneficial owner (Note 3)	1,157,634,900	55.20%
BII	Interest of controlled corporation (Note 3)	1,157,634,900	55.20%
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	7.09%
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	9.11%
Central Huijin Investment Ltd.	Interest of controlled corporation (Note 4)	191,193,534	9.11%

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 2021, 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 2021. 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 2021, 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 2021, 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. Ren Yuhang resigned as a non-executive Director with effect from 5 July 2021.

2. Ms. Gu Xiaohui was appointed as a non-executive Director with effect from 5 July 2021.

3. Ms. Xuan Jing, executive Director, resigned as director of the Group's subsidiaries, i.e., Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司) with effect from 18 May 2021, China City Railway (中國城市軌道交通科技投資有限公司) with effect from 24 May 2021, Great Legend Development Limited (華駿發展有限公司) with effect from 17 May 2021; as chairman of BII Information Security Technology Development Company Limited (北京京投信安科技發展有限公司) with effect from 8 February 2021, as director of BII Transit Systems (HK) Co., Ltd (京投交通科技(香港)有限公司) with effect from 16 July 2021 and as Director of the Group's joint stock company, Beijing Metro Science and Technology Development Co. Ltd. (北京地鐵科技發展有限公司) with effect from 8 February 2021. Besides, the Board of Directors of BII Zhongfu was dissolved, Ms. Xuan was appointed as the executive director of BII Zhongfu with effect from 26 April 2021.

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 2021, 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 2021 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 2021.

EVENT DURING THE PERIOD FROM 30 JUNE 2021

The Group has no material subsequent event to be disclosed from 30 June 2021 up to the date of the publication of this report.

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 28 to 52 which comprises the consolidated statement of financial position of BII Railway Transportation Technology Holdings Company Limited as of 30 June 2021 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

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

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2021 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

31 August 2021

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2021 – unaudited (Expressed in Hong Kong dollars ("HK$"))

	Note	Six months ended 30 June	
		2021	2020
		HK$'000	HK$'000
Revenue	4	**518,272**	530,060
Cost of sales		**(287,656)**	(307,440)
Gross profit		**230,616**	222,620
Other income		**22,640**	21,847
Selling, general and administrative expenses		**(115,687)**	(98,138)
Research expenses		**(78,523)**	(56,405)
Profit from operations		**59,046**	89,924
Finance costs	5(a)	**(14,118)**	(14,537)
Share of results of joint ventures and associates	10	**41,805**	(28,308)
Fair value change in contingent considerations	5(b)	**880**	(4,734)
Profit before taxation	5	**87,613**	42,345
Income tax	6	**(9,761)**	(7,485)
Profit for the period		**77,852**	34,860
Attributable to:			
Equity shareholders of the Company		**80,021**	32,741
Non-controlling interests		**(2,169)**	2,119
Profit for the period		**77,852**	34,860
Earnings per share			
– Basic and diluted (HK$)	7	**0.0382**	0.0156

The notes on pages 35 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 17(a).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021 – unaudited (Expressed in HK$)

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Profit for the period	**77,852**	34,860
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	**27,203**	(35,954)
Total comprehensive income for the period	**105,055**	(1,094)
Attributable to:		
Equity shareholders of the Company	**106,276**	(3,014)
Non-controlling interests	**(1,221)**	1,920
Total comprehensive income for the period	**105,055**	(1,094)

The notes on pages 35 to 52 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2021 – unaudited (Expressed in HK$)

	Note	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Non-current assets			
Property, plant and equipment	8	**160,598**	170,171
Intangible assets		**235,549**	237,010
Goodwill	9	**669,881**	662,320
Interests in joint ventures and associates	10	**399,656**	356,256
Contingent considerations		**54**	52
Deferred tax assets		**43,530**	42,316
		1,509,268	1,468,125
Current assets			
Other financial assets		**40,860**	219,819
Inventories and other contract costs	11	**462,391**	410,731
Contract assets	12(a)	**499,128**	520,322
Trade and other receivables	13	**901,734**	687,074
Loans to an associate		**7,211**	7,130
Cash on hand and in bank	14	**1,104,595**	983,829
		3,015,919	2,828,905
Current liabilities			
Trade and other payables	15	**950,677**	893,658
Contract liabilities	12(b)	**304,317**	59,722
Bank and other borrowings	16	**552,494**	571,412
Lease liabilities		**8,197**	7,618
Current taxation		**15,412**	24,670
Contingent considerations		**18,841**	88,830
Provision for warranties		**8,264**	8,564
		1,858,202	1,654,474
Net current assets		**1,157,717**	1,174,431
Total assets less current liabilities		**2,666,985**	2,642,556

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Non-current liabilities		
Lease liabilities	**9,183**	14,860
Contingent considerations	**–**	18,329
Deferred tax liabilities	**52,144**	52,998
Deferred income	**1,044**	1,504
Provision for warranties	**1,650**	1,861
	64,021	89,552
NET ASSETS	**2,602,964**	2,553,004
CAPITAL AND RESERVES		
Share capital	**20,971**	20,971
Reserves	**2,485,363**	2,431,646
Total equity attributable to equity shareholders of the Company	**2,506,334**	2,452,617
Non-controlling interests	**96,630**	100,387
TOTAL EQUITY	**2,602,964**	2,553,004

The notes on pages 35 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021 – 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 2021	**20,971**	**1,771,241**	**26,424**	**62,677**	**21,574**	**549,730**	**2,452,617**	**100,387**	**2,553,004**
Profit for the period	–	–	–	–	–	80,021	80,021	(2,169)	77,852
Other comprehensive income	–	–	–	–	26,255	–	26,255	948	27,203
Total comprehensive income	–	–	–	–	26,255	80,021	106,276	(1,221)	105,055
Dividends declared in respect of the previous year (Note 17(b))	–	(52,428)	–	–	–	–	(52,428)	–	(52,428)
Change in capital reserve of associates	–	–	(131)	–	–	–	(131)	–	(131)
Dividends to non-controlling interests of subsidiaries	–	–	–	–	–	–	–	(2,536)	(2,536)
Appropriation to reserves	–	–	–	4,197	–	(4,197)	–	–	–
	–	(52,428)	(131)	4,197	–	(4,197)	(52,559)	(2,536)	(55,095)
Balance at 30 June 2021	**20,971**	**1,718,813**	**26,293**	**66,874**	**47,829**	**625,554**	**2,506,334**	**96,630**	**2,602,964**

The notes on pages 35 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 June 2021 – 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 declared in respect of the previous year (Note 17(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

The notes on pages 35 to 52 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2021 – unaudited (Expressed in HK$)

	Note	Six months ended 30 June 2021 HK$'000	2020 HK$'000
Operating activities			
Cash generated from/(used in) operations		**12,880**	(943)
Interest income received		**7,238**	8,146
Income tax paid		**(21,223)**	(19,965)
Net cash used in operating activities		**(1,105)**	(12,762)
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(10,651)**	(3,222)
Proceeds from disposal of property, plant and equipment		**559**	368
Dividends received		**1,182**	423
Net proceeds from/(payments for) wealth management products		**181,207**	(4,410)
Payment for contingent considerations		**–**	(71,942)
Net cash generated from/(used in) investing activities		**172,297**	(78,783)
Financing activities			
Proceeds from bank loans		**629**	22,050
Repayment of bank loans		**(20,334)**	(6,616)
Capital element of lease rentals paid		**(5,529)**	(5,089)
Interest element of lease rentals paid		**(594)**	(423)
Interest paid		**(13,158)**	(14,114)
Dividends to non-controlling interests of a subsidiary		**(1,138)**	(585)
Net cash used in financing activities		**(40,124)**	(4,777)
Net increase/(decrease) in cash and cash equivalents		**131,068**	(96,322)
Cash and cash equivalents at the beginning of the period	14	**944,489**	821,569
Effect of foreign exchange rate changes		**6,319**	(4,924)
Cash and cash equivalents at the end of the period	14	**1,081,876**	720,323

The notes on pages 35 to 52 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 2021 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, implementation and sale of related software, hardware and spare part in utility tunnel areas, and the investment in the railway transportation areas and infrastructure 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 31 August 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 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 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the board of directors (the "Directors") of the Company is included in this report.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The financial statements for the year ended 31 December 2020 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 2021.

3 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to IFRSs issued by the IASB to this interim financial report for the current accounting period:

– Amendments to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*

– Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

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

4 REVENUE AND SEGMENT REPORTING

(a) 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	
	2021	2020
	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	**414,082**	460,181
– Revenue from infrastructure information services	**104,190**	69,879
	518,272	530,060
Disaggregated by geographical location of customers		
– Mainland China	**468,965**	508,919
– Hong Kong	**27,201**	21,141
– India	**22,106**	–
	518,272	530,060

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 2021 and 2020. 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 2021 and 2020 is set out below.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS (CONTINUED)

	Six months ended 30 June 2021			
	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	**348,590**	**1,956**	**–**	**350,546**
Over time	**65,492**	**102,234**	**–**	**167,726**
Revenue from external customers and reportable segment revenue	**414,082**	**104,190**	**–**	**518,272**
Reportable segment gross profit	**165,568**	**65,048**	**–**	**230,616**
Share of results of joint ventures and associates	**–**	**–**	**41,805**	**41,805**

	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)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(II) RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Reportable segment gross profit	**230,616**	222,620
Share of results of joint ventures and associates	**41,805**	(28,308)
Other income	**22,640**	21,847
Selling, general and administrative expenses	**(115,687)**	(98,138)
Research expenses	**(78,523)**	(56,405)
Finance costs	**(14,118)**	(14,537)
Fair value change in contingent considerations	**880**	(4,734)
Profit before taxation	**87,613**	42,345

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Interests on bank loans	**625**	1,072
Interests on loans from a related party	**12,899**	13,042
Interest on lease liabilities	**594**	423
	14,118	14,537

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items:

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Depreciation charge		
– owned property, plant and equipment	**20,851**	15,548
– right-of-use assets	**3,910**	3,491
Amortisation of intangible assets	**11,371**	8,280
Interest income	**(5,514)**	(8,092)
Investment income	**(1,723)**	(2,474)
Government grants	**(16,370)**	(13,790)
Impairment of trade and other receivables and contract assets	**4,923**	7,133
Fair value change in contingent considerations	**(880)**	4,734
Exchange loss	**207**	2,430
Net loss on disposal of property, plant and equipment (Note 8)	**13**	86
Inventory write-down	**–**	1,200

6 INCOME TAX

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Current taxation:		
– Hong Kong Profits Tax (Note (i))	**2,201**	1,597
– PRC Corporate Income Tax (Note (iv))	**9,764**	9,659
	11,965	11,256
Deferred taxation:		
– Origination and reversal of temporary differences	**(2,204)**	(3,771)
	9,761	7,485

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 2021 (six months ended 30 June 2020: 16.5%).

(ii) One subsidiary of the Group incorporated in India is subject to income tax rate of 25% for the six months ended 30 June 2021, pursuant to the rules and regulations of India (six months ended 30 June 2020: 25%).

(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 the PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%), except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies to High-tech Enterprise, Software Enterprise and Small Low-profit Enterprise.

7 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company of HK$80,021,000 (six months ended 30 June 2020: HK$32,741,000) and the weighted average of ordinary shares 2,097,147,000 (31 December 2020: 2,098,787,000 ordinary shares) in issue during the interim period.

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2021 and 2020. 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 2021, the Group entered into certain lease agreements for use of buildings, and therefore recognised the additions to right-of-use assets of HK$1,061,000 (six months ended 30 June 2020: HK$4,868,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2021, the Group acquired items of property, plant and equipment with a cost of HK$4,035,000 (six months ended 30 June 2020: HK$10,471,000).

Property, plant and equipment with a carrying amount of HK$572,000 was disposed of during the six months ended 30 June 2021 (six months ended 30 June 2020: HK$454,000), resulting in a net loss of HK$13,000 (six months ended 30 June 2020: net loss of HK$86,000).

9 GOODWILL

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

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Operations in the provision of application solutions related services (Note (i))		
– Suzhou Huaqi Intelligent Technology Co., Ltd. ("Huaqi Intelligent")	**602,352**	595,553
– Provision of application solution service	**56,754**	56,113
Operations related to the civil communication transmission systems business (Note (ii))	**10,775**	10,654
	669,881	662,320

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 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.

10 INTERESTS IN JOINT VENTURES AND ASSOCIATES

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Unlisted equity investments at cost	**419,413**	416,463
Share of results	**(17,956)**	(55,036)
Dividend	**(1,182)**	(4,725)
Exchange adjustments	**(619)**	(446)
	399,656	356,256

For the six months ended 30 June 2021, the Group's share of results of joint ventures and associates was a gain of HK$41,805,000, including gain of HK$35,736,000 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.

11 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	
	2021 HK$'000	2020 HK$'000
Carrying amount of inventories sold	**169,369**	200,903
Write-down of inventories	**–**	1,200
	169,369	202,103

12 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Contract assets		
Arising from performance under contracts with customers	**556,773**	569,521
Less: loss allowance	**(57,645)**	(49,199)
	499,128	520,322

12 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Contract liabilities		
Service contracts		
– Billings in advance of performance	**304,317**	59,722

13 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Trade receivables due from (Note 13(a)):		
– third parties	**480,070**	317,040
– affiliates of an equity shareholder of the Company	**21,780**	4,853
– a joint venture of the Group	**1,210**	1,196
Bills receivable	**187,356**	326,479
	690,416	649,568
Amounts due from related parties (Note 13(b)):		
– equity shareholders of the Company and their affiliates	**5,430**	440
– an associate of the Group	**–**	1,188
	5,430	1,628
Less: loss allowance	**(21,623)**	(24,301)
Prepayments, deposits and other receivables	**222,244**	55,165
VAT recoverable	**4,216**	3,975
Financial assets measured at amortised cost	**900,683**	686,035
Fair value of put-options in connection with acquisition of a subsidiary	**1,051**	1,039
	901,734	687,074

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

13 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 2021 HK$'000	At 31 December 2020 HK$'000
Within 1 year	**616,304**	564,760
Over 1 year	**74,112**	84,808
	690,416	649,568

(b) Amounts due from related parties

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

14 CASH ON HAND AND IN BANK

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Cash on hand and in bank	**1,081,876**	944,489
Restricted bank deposits	**22,719**	39,340
Cash and cash equivalents in the consolidated statement of financial position	**1,104,595**	983,829
Less: restricted bank deposits	**(22,719)**	(39,340)
Cash and cash equivalents in the condensed consolidated cash flow statement	**1,081,876**	944,489

The Group's operations in the PRC (excluding Hong Kong) 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.

15 TRADE AND OTHER PAYABLES

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Trade payables due to (Note 15(a))		
– third parties	**505,999**	512,288
– affiliates of an equity shareholder of the Company	**59,612**	62,426
– a joint venture of the Group	**6,293**	4,802
– associates of the Group	**5,537**	7,678
Bills payable (Note 15(a))	**121,470**	146,640
	698,911	733,834
Payable for acquisition of Huaqi Intelligent	**90,581**	–
Amounts due to an affiliate of an equity shareholder of the Company	**120**	–
Accrued expenses and other payables	**143,766**	126,089
Financial liabilities measured at amortised cost	**933,378**	859,923
Other taxes payables	**11,613**	28,114
Put-options in connection with share-based transaction	**5,686**	5,621
	950,677	893,658

At 30 June 2021, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

15 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Ageing analysis

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

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Due within 1 month or on demand	**525,928**	599,099
Due after 1 month but within 6 months	**132,005**	76,574
Due after 6 months but within 1 year	**40,978**	58,161
	698,911	733,834

16 BANK AND OTHER BORROWINGS

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Bank loans		
– Guaranteed and unsecured	**38,072**	50,024
– Unguaranteed and unsecured	**14,422**	21,388
Borrowings from a related party	**500,000**	500,000
	552,494	571,412

17 DIVIDENDS

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

The Board do not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: HK$Nil).

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

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$2.5 cents (six months ended 30 June 2020: HK$2 cents) per ordinary share	**52,428**	42,002

18 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.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(I) FAIR VALUE HIERARCHY (CONTINUED)

	Fair value at 30 June 2021 HK$'000	Fair value measurement as at 30 June 2021 categorised into Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Financial assets:			
Other financial assets	**40,860**	**40,860**	**–**
Put-options in connection with acquisition of a subsidiary	**1,051**	**–**	**1,051**
Contingent considerations	**54**	**–**	**54**
Financial liabilities:			
Contingent consideration	**18,841**	**–**	**18,841**
Put-options in connection with cash-settled share-based transaction	**5,686**	**–**	**5,686**

	Fair value at 31 December 2020 HK$'000	Fair value measurement as at 31 December 2020 categorised into Level 2 HK$'000	Level 3 HK$'000
Recurring fair value measurement			
Financial assets:			
Other financial assets	219,819	219,819	–
Put-options in connection with acquisition of a subsidiary	1,039	–	1,039
Contingent considerations	52	–	52
Financial liabilities:			
Contingent considerations, current portion	88,830	–	88,830
Contingent considerations, non-current portion	18,329	–	18,329
Put-options in connection with cash-settled share-based transaction	5,621	–	5,621

During the six months ended 30 June 2021, 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.

18 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(II) VALUATION TECHNIQUES AND INPUTS USED IN LEVEL 2 FAIR VALUE MEASUREMENTS

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

(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$19,124,000 during the six months ended 30 June 2022 and the discount rate is 1.5%. At 30 June 2021, if the risk-free discount rate held constant, a 5% decrease in expected cash flows in the six months ended 30 June 2022 will result increase of HK$941,000 in the Group's consolidated profits.

Put-options in connection with cash-settled share-based transaction:

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.

18 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	
	2021 **HK$'000**	2020 HK$'000
Put-options in connection with acquisition of a subsidiary:		
Balance at 1 January	**1,039**	1,139
Loss included in "Fair value change in put-options"		
– Net change in fair value (unrealised)	**2**	(80)
Gain/(loss) included in "Other comprehensive income"		
– Net foreign exchange gain/(loss)	**10**	(22)
Balance at 30 June	**1,051**	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	**52**	181
Gain included in "Fair value change in contingent considerations"		
– Net change in fair value (unrealised)	**1**	3
Gain/(loss) included in "Other comprehensive income"		
– Net foreign exchange gain/(loss)	**1**	(4)
Balance at 30 June	**54**	180
Contingent considerations payable:		
Balance at 1 January	**107,159**	280,385
Reclassification to other payables	**(89,401)**	–
Decrease due to payment	**–**	(71,942)
Loss included in "Fair value change in contingent considerations"		
– Net change in fair value (unrealised)	**879**	4,737
Loss/(gain) included in "Other comprehensive income"		
– Net foreign exchange loss/(gain)	**204**	(5,661)
Balance at 30 June	**18,841**	207,519
Put-options in connection with cash-settled share-based transaction:		
Balance at 1 January	**5,621**	505
Included in the administrative expenses	**–**	299
Loss included in "Other comprehensive income"		
– Net foreign exchange loss	**65**	25
Balance at 30 June	**5,686**	829

18 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 2021 and 31 December 2020.

19 COMMITMENTS

Capital commitments outstanding at 30 June 2021 not provided for in the interim financial report

	At 30 June 2021 HK$'000	At 31 December 2020 HK$'000
Contracted for	1,628	–
Authorised but not contracted for	81,859	–
	83,487	–

20 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 2021 are set out below.

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

	Six months ended 30 June	
	2021 HK$'000	2020 HK$'000
Interests expenses of loans from a related party	12,899	13,042
Provision of design, implementation and sale of application solution services	48,460	39,965
Provision of maintenance of application solution services	32,279	26,706
Office rental fees	4,850	2,481
Purchases of services	27,577	24,298
Net increase in advances granted	25,736	10,992

(b) Transaction with joint ventures and associates

	Six months ended 30 June	
	2021 HK$'000	2020 HK$'000
Purchases of goods	29,020	14,651
Dividend received from associates	1,182	423
Provision of design, implementation and sale of application solution services	4,159	2,960

20 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

	Six months ended 30 June	
	2021	2020
	HK$'000	HK$'000
Short-term employee benefits	**3,220**	3,541
Retirement scheme contributions	**315**	85
	3,535	3,626

(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 20(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.

21 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.

The Group has been closely monitoring the impact of the developments on the Group's business and has put in place 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. The Group will keep the contingency measures under review as the Covid-19 Pandemic situation evolves.