

Bii 京投轨道交通科技控股有限公司

BII RAILWAY TRANSPORTATION TECHNOLOGY HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1522



2023

INTERIM REPORT

NAVIGATING
2025

Sustainable Development

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Mr. Liu Yu (*Chief Executive Officer*)

Non-Executive Directors

Mr. Guan Jifa (*Chairman*)

Ms. Sun Fang

Mr. Cao Mingda

Ms. Hou Weiwei

Independent Non-Executive Directors

Mr. Luo Zhenbang (*CPA*)

Mr. Huang Lixin

Mr. Li Wei

AUTHORISED REPRESENTATIVES PURSUANT TO RULE 3.05 OF THE LISTING RULES

Mr. Liu Yu

Ms. Cheung Yuet Fan

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUDIT COMMITTEE

Mr. Luo Zhenbang (*CPA*) (*Chairman*)

Mr. Huang Lixin

Mr. Li Wei

REMUNERATION COMMITTEE

Mr. Li Wei (*Chairman*)

Mr. Guan Jifa

Mr. Huang Lixin

NOMINATION COMMITTEE

Mr. Guan Jifa (*Chairman*)

Mr. Huang Lixin

Mr. Li Wei

ESG COMMITTEE

Mr. Guan Jifa (*Chairman*)

Mr. Liu Yu

Mr. Luo Zhenbang (*CPA*)

AUDITORS

Baker Tilly Hong Kong Limited

(Appointed on 27 June 2023)

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

KPMG (*Retired on 27 June 2023*)

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

LEGAL ADVISERS TO THE COMPANY

Chiu & Partners

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Enterprise Square Five,

38 Wang Chiu Road,

Kowloon Bay, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Suntera (Cayman) Limited

Suite 3204, Unit 2A, Block 3,

Building D, P.O. Box 1586,

Gardenia Court, Camana Bay,

Grand Cayman, KY1-1100,

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

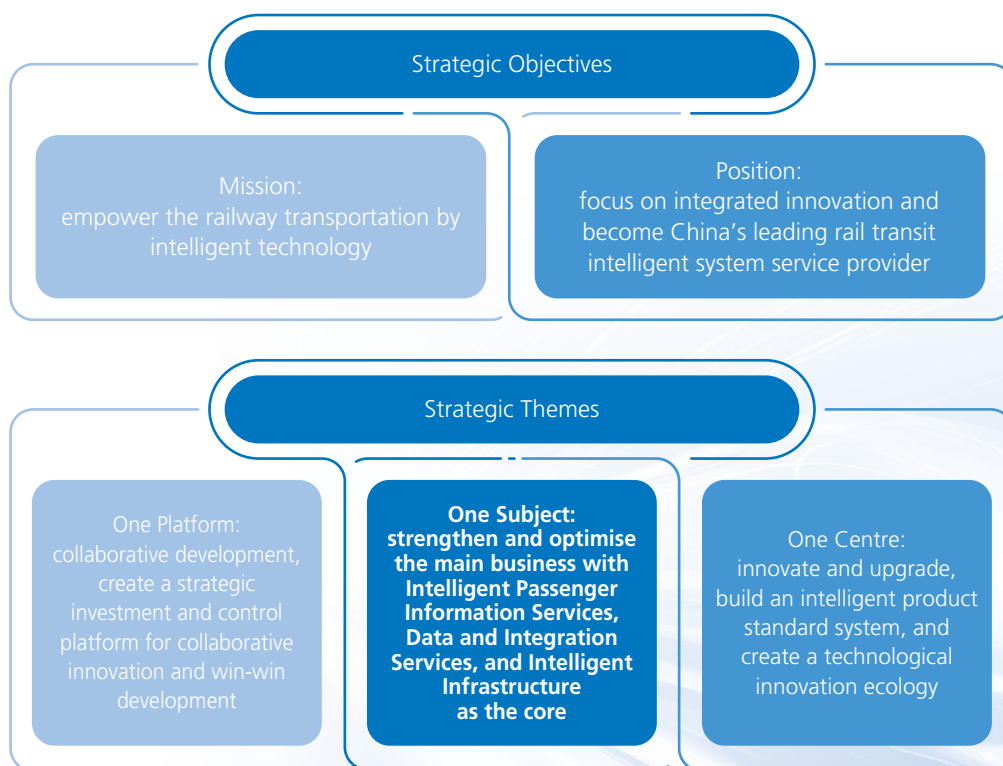
Company Overview

COMPANY INTRODUCTION

The Group is a high-tech enterprise specialising in the field of railway transportation, investment and financing, technology research and development (“R&D”), and intelligent railway transportation development, 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.HK.

The Group adheres to the mission of empowering railway transportation with intelligent technology, and is positioned to “focus on integrated innovation and become China’s leading intelligent rail transit system service provider”, by building a technological ecosystem, which provides system solutions throughout the life cycle for rail transit development, becoming a world-class intelligent rail transit leader.

Intelligent Passenger Information Services Business	The Group’s intelligent passenger information services business provides hardware and software products and services to clients in high-speed railways, intercity railways, suburban railways, metro system and other fields. Its main products include vehicle-ground integrated PIS system, vehicle-mounted integrated cloud integration platform, comprehensive monitoring system and other products and solutions.
Data & Integration Services Business	The Group’s data and integration services business targets in the railways transportation operation market, providing software and hardware products and services such as AFC system, big data solutions, intelligent subway business software, comprehensive intelligent operation and maintenance platform.
Intelligent Infrastructure Business	The Group’s intelligent infrastructure business focuses on the investment and operation of civil communication transmission systems for Beijing’s railways transportation, and at the same time, leveraging big data, artificial intelligence technology and others, the segment provides customers with “Intelligent+” services in relation to, among others, intelligent construction sites, intelligent parks, intelligent hubs, intelligent utility tunnels and intelligent micro-centres.



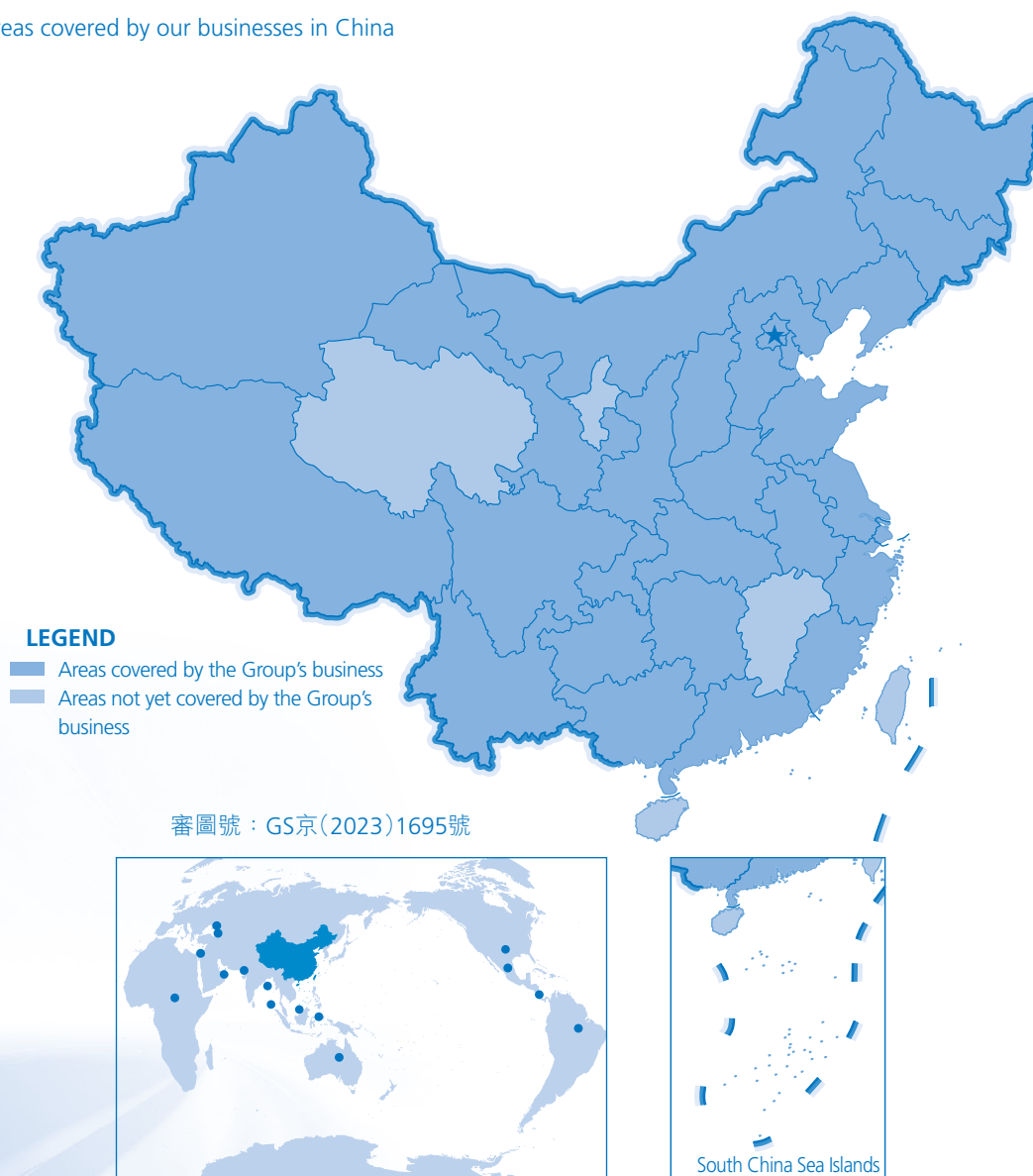
Company Overview

MARKET STRATEGY

The Group attained fruitful results by adhering to its market strategy of maintaining a strong foothold in Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets.

As at 30 June 2023, the Group's businesses covered 54 cities in 28 provinces, municipalities, autonomous regions and special administrative regions in China, where it provided products and services, including Intelligent Passenger Information Services, Data and Integration Services, and Intelligent Infrastructure. As for overseas market, it has expanded into 24 cities in 15 overseas countries and regions.

- Areas covered by 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, Saudi Arabia, United Arab Emirates, Malaysia, Nigeria, Israel etc..

SUMMARY WITH FIGURES

The Group concentrated on railway transportation for

19 YEARS

Its businesses covered

54 CITIES

in China and

24 CITIES

overseas in 15 countries and regions

It owned and

114 PATENTS

PATENTS

519 SOFTWARE COPYRIGHTS

SOFTWARE COPYRIGHTS

As at 30 June 2023, the orders on hand of the Group was approximately

HK\$ 2.34 BILLION

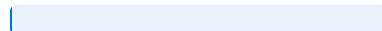
FINANCIAL HIGHLIGHTS^(note 1)

Revenue (HK\$ Thousand)

2023H1 |  **473,188**

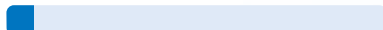
2022H1 |  **573,857**

Operating profit (HK\$ Thousand)

2023H1 |  **60**

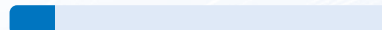
2022H1 |  **8,180**

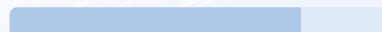
Profit for the Period (HK\$ Thousand)

2023H1 |  **2,632**

2022H1 |  **28,023**

Profit attributable to equity shareholders (HK\$ Thousand)

2023H1 |  **5,081**

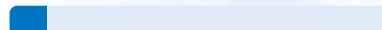
2022H1 |  **32,552**

Gross margin

2023H1 |  **39.8%**

2022H1 |  **32.6%**

Earnings per share (HK\$ cent)

2023H1 |  **0.24**

2022H1 |  **1.55**

Note:

1. HK\$/RMB average exchange rate for first half of 2023 was approximately 0.8886 and for first half of 2022 was approximately 0.8310 respectively, representing an increase of approximately 6.9%.

Management Discussion and Analysis

MARKET AND BUSINESS ENVIRONMENT

Since the beginning of 2023, the investment in the construction of rail transit in Mainland China has recovered, and the passenger flow has rebounded from a decline. In terms of investment amount, the fixed-asset railway investment in Mainland China amounted to approximately RMB304.9 billion in the first half of 2023, representing a year-on-year growth of approximately 6.9%, according to the data from China State Railway Group (中國鐵路集團). In terms of new mileage, the mileage of new urban rail transit lines was approximately 236.55 kilometres in the first half of 2023, representing a year-on-year decrease of approximately 35%, according to the data of China Association of Metros. With regards to the passenger flow, Mainland China's railway served approximately 1.69 billion passenger trips in the first half of 2023, representing a year-on-year increase of approximately 123.0%, and the total number of passenger trips made via Beijing's rail transit network, which is highly relevant to the Group's businesses, amounted to approximately 1.62 billion. The average daily passenger volume reached approximately 8.964 million trips, representing a year-on-year increase of approximately 48.9%.

The Group's business activities are highly relevant to the development of the rail transit industry. On the whole, although the investments and passenger flows in the rail transit industry recovered in the first half of 2023, the market demand related to the Group's core businesses failed to increase significantly in the short term because the examination and approval of construction plans for urban rail transit projects in the early stages were conducted with great prudence and at the same time there was certain lag in the transmission of the industry chain. Meanwhile, in recent years, in order to enhance the efficiency of operation and management, the major customers of the Group, including original equipment manufacturers (OEMs) and owners of metro railways in various cities, have increasingly demanded for cost reduction and efficiency enhancement in procurement, which, to a certain extent, has caused a reduction in the profit margin of the Group. In addition, as the procurement behaviour and scale of the Group's customers are highly correlated with governmental policies, the difficulty for the Group to acquire new projects increased during the first half of 2023 due to the dual impact of policy uncertainty and intensified competition.

BUSINESS REVIEW

Overview

In the face of a relatively complex operating environment, the Group endeavoured to develop domestic and overseas markets and accelerated the construction and delivery of projects in the first half of the year. However, due to the cyclicity of the project acceptance, the scale of project delivery during the reporting period decreased year-on-year. The Group recorded revenue of approximately HK\$473.2 million in the first half of 2023, representing a year-on-year decrease of approximately 17.5%. Gross profit margin was approximately 39.8%, representing a year-on-year increase of 7.2 percentage points. Profit attributable to equity shareholders of the Group amounted to approximately HK\$5.1 million, representing a year-on-year decrease of approximately 84.4%.

To proactively address shifts in the internal and external environment, cater to market trends, and meet customer demands, as well as further enhance its strategic development advantages, the Group has taken proactive measures to refine its plans and restructure its organisational framework during the Period. In particular, with the aim of bolstering the professional and refined development of the business, the Group sub-divided its original intelligent railway transportation segment into the intelligent passenger information services business and data and integration services business. Meanwhile, the Group grasped the strategic opportunity to execute infrastructure intelligent transformation, and integrated certain intelligent businesses based on the original infrastructure information segment, to upgrade them into the intelligent infrastructure business segment. Furthermore, by further strengthening the internal resources integration of the R&D and innovation platforms as well as capital operation platforms, the Group has established a “3+2” business structure, comprising three major business segments and two dedicated platforms. The new strategic structure continues the stability of the original segmented business lines and facilitates the synergy effect among business divisions, thus promoting each business segment to enhance its own resilience and deepen its high-quality development.

In the first half of the year, the Group was committed to its market strategy of “relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets”. The Group has successfully entered into the Meishan market and other regions in Mainland China, and entered the Tel Aviv market in Israel. It has expanded its business footprint to a total of 54 cities in Mainland China and 24 cities in 15 overseas countries and regions. The Group has signed more than 100 new contracts and bid-winning projects worth approximately RMB550 million, of which the projects in Beijing were valued at approximately RMB250 million, accounting for approximately 45% of the total value of such projects. As at 30 June 2023, the Group’s orders on hand amounted to an equivalent of approximately HK\$2.34 billion, representing a year-on-year increase of approximately 15.3% and a decrease of approximately 8.6% as compared to the end of 2022.

Management Discussion and Analysis

FINANCIAL REVIEW

Overview

For the six months ended 30 June 2023 (the “Period”), the Group recorded revenue of approximately HK\$473.2 million, representing a year on year decrease of approximately 17.5%, and gross profit of approximately HK\$188.4 million, representing a year on year increase of approximately 0.8%; selling, general and administrative expenses amounted to approximately HK\$110.2 million, representing a year on year decrease of approximately 6.8%; R&D expenses amounted to approximately HK\$88.9 million, representing a year on year increase of approximately 15.4%; net cash outflow from operating activities was approximately HK\$50.1 million, representing a year on year decrease of approximately HK\$170.9 million. As at 30 June 2023, the Group’s gearing ratio was approximately 40.2%.

Revenue

Following the adjustment of organisational structure, the Group’s revenue was mainly derived from three core businesses including the intelligent passenger information services business, the data and integration services business and the intelligent infrastructure business, the revenue of which for the first half of 2023 was approximately HK\$243.9 million, HK\$143.3 million and HK\$86.0 million, respectively.

Revenue derived from the intelligent passenger information services business for the Period was approximately HK\$243.9 million, representing an increase of approximately HK\$2.1 million or approximately 0.9% as compared with the same period of last year, which remained stable as compared with the same period last year.

Revenue derived from the data and integration services business for the Period was approximately HK\$143.3 million, representing a decrease of approximately HK\$106.3 million as compared with the same period of last year. The decrease in revenue was mainly due to the fact that there were fewer projects at the time of revenue recognition during the first half of 2023, as compared with the same period last year when the Group’s Shaoxing Metro Line 1 project was mostly delivered and accepted.

Revenue derived from the intelligent infrastructure business for the Period was approximately HK\$86.0 million, representing an increase of approximately HK\$3.5 million or approximately 4.3% as compared with the same period last year. The increase in revenue was mainly due to the continued development of the civil communication transmission business.

Geographically, the Group’s revenue for the first half of 2023 was mainly derived from its businesses in Mainland China, which was approximately HK\$448.1 million, representing a decrease of approximately HK\$94.3 million or approximately 17.4% as compared with the same period last year. This was mainly due to the delivery and acceptance of the Shaoxing Metro Line 1 project, which had a significant impact on revenue, during the same period last year. The Group’s revenue from the Hong Kong market during the Period was approximately HK\$9.8 million, representing a decrease of HK\$7.1 million or approximately 42.2% as compared with the same period last year, which was primarily due to the fact that there were fewer projects at the time of revenue recognition during the Period. Meanwhile, the Group has recorded revenue of approximately HK\$15.3 million in the Indian market, which remained stable as compared to approximately HK\$14.5 million in the same period last year, which was primarily attributable to the recognition of revenue from projects, including Mumbai Lines 2 & 7 and Pune Metro Line 3 during the Period.

Management Discussion and Analysis

Cost of sales

The cost of sales incurred by the Group during the Period was approximately HK\$284.8 million, representing a decrease of approximately HK\$102.2 million or approximately 26.4% as compared with the same period last year, which was primarily due to the corresponding decrease in costs as a result of the decline in the scale of project delivery during the Period.

Gross profit

The Group achieved gross profit of approximately HK\$188.4 million for the Period, representing an increase of approximately HK\$1.5 million or approximately 0.8% as compared with the same period last year. The slight increase was primarily due to the fact that during the first half of 2022, the Shaoxing Metro Line 1 project in the data and integration services business, which generates higher revenue, was mostly completed, which resulted in a decrease in the corresponding revenue during the Period. However, such project had a lower gross profit margin, resulting in a lower overall gross profit margin in the first half of 2022 and a higher gross profit margin during the Period.

Selling, general and administrative expenses

Selling, general and administrative expenses incurred by the Group during the Period amounted to approximately HK\$110.2 million, representing a decrease of approximately HK\$8.1 million or approximately 6.8% as compared with the same period last year, which was primarily due to the exchange rate fluctuations during the Period.

R&D expenses

R&D expenses incurred by the Group during the first half of 2023 amounted to approximately HK\$88.9 million, representing an increase of approximately HK\$11.9 million or approximately 15.4% as compared with the same period last year. The increase was primarily due to the fact that the Group continuously increased its investment in R&D technology to match the corresponding office space and human resource for research and development projects.

Share of results of joint ventures and associates

In the first half of 2023, the Group realised share of results of joint ventures and associates of approximately HK\$9.0 million, representing a decrease of approximately 57.3% as compared with the same period last year. The decrease was primarily due to the year-on-year decrease in the share of results of Beijing Metro.

Profit attributable to equity shareholders of the Company

Profit attributable to equity shareholders of the Group during the Period amounted to approximately HK\$5.1 million, representing a decrease of approximately HK\$27.5 million or approximately 84.4% as compared with the same period last year.

Management Discussion and Analysis

Liquidity, financial and capital resources

Capital structure

As at 30 June 2023, the total number of issued shares of the Group was 2,097,146,727 shares of HK\$0.01 per ordinary share (as at 31 December 2022: 2,097,146,727 ordinary shares of HK\$0.01 per ordinary share).

Cash position

As at 30 June 2023, the Group's cash on hand and in bank was approximately HK\$700.1 million (as at 31 December 2022: approximately HK\$808.7 million).

Bank and other borrowings and pledged assets of the Group

As at 30 June 2023, the Group's borrowings were approximately HK\$423.6 million, of which HK\$300 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, (the "**Lender**"), and the remaining was bank borrowings of approximately HK\$123.6 million (as at 31 December 2022: approximately HK\$83.9 million).

In respect of the Group's other borrowing of HK\$300 million, as at 30 June 2023, the rights and interests in 60% of the issued share capital of Great Legend, a wholly-owned subsidiary of the Group, held by the Company were charged in favour of the Lender. As disclosed in the announcement of the Company dated 18 August 2023 in relation to an early partial repayment of a loan (the "**Early Partial Repayment Announcement**"), the Company shall repay the principal of HK\$45 million of the loan, and the corresponding interest, by 31 August 2023 and complete the relevant procedures for the release of share charge over 9% of the issued share capital of Great Legend within 30 business days of such early partial repayment. The remaining share charge in favour of the Lender shall be 51% of the issued share capital of Great Legend. As the supplemental agreement disclosed in the Early Partial Repayment Announcement (i) did not alter the expiry of the term of the Remaining Loan (as defined in the Early Partial Repayment Announcement); and (ii) the corresponding early partial repayment was insignificant in size, such supplemental agreement did not constitute a material variation to the terms of the Loan Extension Agreement (as defined in the Early Partial Repayment Announcement). The Company is of the view that such early partial repayment could reduce the interest costs and improve the gearing ratio of the Group. Save as disclosed above, the Group did not have any assets pledged as at 30 June 2023 (as at 31 December 2022: 60% of the issued share capital in Great Legend were charged in favour of the Lender).

Working capital and gearing ratio

As at 30 June 2023, the Group had current assets of approximately HK\$2,704.4 million (as at 31 December 2022: approximately HK\$2,842.6 million), while its current liabilities were approximately HK\$1,324.2 million (as at 31 December 2022: approximately HK\$1,378.5 million), resulting in net current assets of approximately HK\$1,380.2 million (as at 31 December 2022: approximately HK\$1,464.1 million). As at 30 June 2023, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.0 (as at 31 December 2022: approximately 2.1).

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 2023, the Group's gearing ratio was approximately 40.2% (as at 31 December 2022: approximately 39.8%).

Management Discussion and Analysis

Cash flow

During the Period, the Group's net cash outflow from operating activities was approximately HK\$50.1 million, representing a decrease of approximately HK\$170.9 million as compared with the same period last year, which was primarily due to the increase in repayment during the Period, as compared with the same period of last year when some projects were delayed in delivery due to the impact of the COVID-19 pandemic, resulting in sluggish repayment. In addition, there was a large cash outflow from financing activities during the Period, mainly due to the payment for the acquisition of 3.7% of equity interests in Huaqi Intelligent.

Foreign exchange exposure

The Group has six main operating subsidiaries, one was incorporated in Hong Kong and the other five were established in Mainland China. All of these subsidiaries earn revenue and incur cost in their local currencies. The Group's foreign exchange risk does not have any significant financial impact.

The Group currently does not use any derivative financial instruments to hedge foreign exchange exposures. The Group will closely monitor the exchange rate risk to manage foreign exchange exposure, and take prudent action to minimise the exchange related risks.

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities (as at 31 December 2022: nil).

BUSINESS ANALYSIS BY SEGMENT

In the first half of 2023, the Group upheld its established strategy and adopted a "business-oriented, innovation-driven and efficient management" approach to optimise its organisational structure, promote the integration of business resources, and create a "3+2" business structure. It focused on the three core businesses related to intelligent passenger information services business, data and integration services business and intelligent infrastructure business, and implemented a series of measures to continuously enhance its market competitiveness and service levels.

Intelligent Passenger Information Services Business

The intelligent passenger information services business provides hardware and software products and services in high-speed railways, intercity railways, suburban railways, metro system and other fields. Its main products include vehicle-ground integrated PIS system, vehicle-mounted integrated cloud integration platform, comprehensive monitoring system and other products and solutions.

In the first half of 2023, the Group's intelligent passenger information services business recorded revenue of approximately HK\$243.9 million, representing an increase of approximately HK\$2.1 million or approximately 0.9% as compared with the same period last year, and gross profit of approximately HK\$119.1 million, representing a year-on-year increase of approximately 5%.

In the first half of 2023, the Group continued to strengthen its business advantages in Mainland China. It won new orders in Shenzhen, Guangzhou, Changsha and other markets, and made new breakthroughs in overseas market expansion. The Group signed contracts for more than 60 projects worth a total of approximately RMB320 million during the Period. The key projects mainly included the important contracts newly signed in respect of the CRRC Sifang Plant's Smart EMUs PIS System and the spare parts for the High-speed Rail PIS System, amounting to approximately RMB61.673 million, which is the result of the Group's long-term cultivation of the high-speed rail market. The newly signed contract for the on-board PIS of Shenzhen Metro Line 13 was valued at approximately RMB22.64 million, marking the Group's continuous efforts to consolidate the business market in Shenzhen. The signing of the CAF Israel Purple Line Light Rail Project, with a contract value of approximately RMB6.06 million, represented another breakthrough in cooperation with international vehicle manufacturers. This further expanded our international market business channels.

Management Discussion and Analysis

Data and Integration Services Business

The data and integration services business targets in the railway transit operation market, providing software and hardware products and services such as AFC system, big data solutions, intelligent subway business software, comprehensive intelligent operation and maintenance platform.

In the first half of 2023, the Group's data and integration services business recorded revenue of approximately HK\$143.3 million, representing a decrease of approximately HK\$106.3 million as compared with the same period last year. The year-on-year decrease in revenue was primarily due to the fact that there were fewer projects at the time of revenue recognition during the Period. Gross profit fell by approximately 0.6% year-on-year to approximately HK\$33.2 million during the Period.

In the first half of 2023, the Group signed contracts for more than 20 projects worth approximately RMB180 million regarding its data and integration services business based on the implementation of its existing market projects. Among them, biddings were won and contracts were signed for the Beijing Rail Transit AFC Technology Renovation Phase II Project and the Beijing MTR Safety Management Platform Project. The Group actively followed up on the centralised procurement project for engineering communication, office automation and guidance system of Beijing Metro Line 28. It was eventually made public as the first bid-winning candidate. The project was valued at approximately RMB110 million, which will bring stable revenue to the Group in the future. In terms of markets beyond Beijing, in active response to the needs of property owners, the Group secured the operation and maintenance project of Wuhan Metro's asset system and the Zhengzhou Metro Line 17 Line Centre Project, among others.

Intelligent Infrastructure Business

The intelligent infrastructure business focuses on the investment and operation of civil communication transmission systems for Beijing's railway transportation. At the same time, leveraging big data, artificial intelligence technology and others, the segment provides customers with "Intelligent+" services in relation to, among others, intelligent construction sites, intelligent parks, intelligent hubs, intelligent utility tunnels and intelligent micro-centres.

In the first half of 2023, the Group's intelligent infrastructure business recorded revenue of approximately HK\$86.0 million, representing an increase of approximately HK\$3.5 million or approximately 4.3% as compared with the same period last year, and gross profit of approximately HK\$36.1 million, representing a year-on-year decrease of approximately 9.8%, which was primarily due to the increase in first-half operation and maintenance costs and depreciation charges for new lines added to the civil telecommunication business.

In terms of civil communication business, constant efforts were made to strengthen its business foundation. On the one hand, the Group commenced the construction of supporting facilities and 4G transmission systems for civil communication for a total of 30 stations of Beijing Subway Lines 12 and 17. It assisted in the implementation of Beijing's rail transit construction plan, which fulfilled its social responsibility. On the other hand, as set out in the Group's Utility Tunnels Empowered by 5G Multi-Network Integration solution, by utilising the multi-network integration of 5G and the Internet of Things, the Group solved problems like high construction cost and maintenance difficulty in small utility tunnel network, marking the innovative application of small utility tunnels, for which it won three awards at the Zhongguancun International Advanced Technology Innovation Competition.

As for "Intelligent +" business, the Group established joint ventures with high-quality enterprises in the field of intelligent hub construction, gathered advantageous resources, leveraged competitive advantages, and jointly explored the application in integrated transportation hub scenarios, laying a foundation for the future expansion of market orders.

Investments Management

In the first half of 2023, with the goal of perfecting the industrial layout and strengthening the industrial ecosystem, the Group strengthened the post-investment management and focused on the strategic decision-making, team building, management methods, products and services of the investee enterprises to achieve collaborative business development and capital appreciation. In addition, the Company actively promoted the capital operation of its invested enterprises, and promoted Huaqi Intelligent to introduce Suzhou Rail Transit as an external strategic investor through capital increase and share expansion, whereby such strategic investor injected RMB100 million into Huaqi Intelligent. This enhanced the future comprehensive competitiveness of Huaqi Intelligent, which will help it further consolidate the foundation of its performance growth and expand business development space.

Differentiated management was conducted on the companies it holds shares in or controls, and resources were optimised and integrated to maximise synergy effect.

- During the Period, Beijing Metro, the Group's joint venture, made significant progress in various projects. Beijing Metro actively pursued the reconstruction and expansion of the vehicle section of the Beijing Metro Airport Line, as well as additional vehicle purchases and factory repairs projects. Furthermore, Beijing Metro focused on consolidating its existing business operations while actively seeking opportunities to operate new lines beyond Beijing. Currently, Beijing Metro has successfully obtained the operation rights for the Hangzhou-Shaoxing Line and Shaoxing Metro Line 1. This achievement serves as a crucial foundation for ensuring sustainable profitability in the future.
- During the Period, Metro Science and Technology, the Group's joint venture, continued to develop its technology development business, including areas such as intelligent operation and maintenance and information security testing and evaluation services, which were built upon the foundation of consolidating its core business in AFC operation and maintenance as well as system integration. Therefore, the profitability of its technology development business continued to improve.
- During the Period, Ruubypay, the Group's equity investment, focused on further developing its rail transportation operation services. It successfully established extensive cooperation in the QR code payment service business and actively explored new avenues for growth in the metro commercial operations. The Yitongxing APP developed by Ruubypay, has accumulated approximately 35.85 million registered users, an increase of approximately 5 million over the same period last year and its internet ticketing accounted for approximately 60.91% of the average daily traffic through the entire road network.

Management Discussion and Analysis

- Youdao Technology Co., Ltd* (友道科技有限公司), in which the Group has equity investment in, strengthened its customer relationship via the “integration of research, production and sales” (研產銷一體化), connected the upstream and downstream resources of enterprise education in the transportation industry, and proactively promoted in-depth cooperation with colleges and universities. The Company will further strengthen its efforts on contests and the conversion of products from contests in the future.
- Cornerstone Lianying that the Group invested in has entered an exit period. Some projects have been withdrawn in an orderly manner and achieved investment returns. Meanwhile, through participating in the investment in Cornerstone Huiying, the Group cast a close eye on the core segment of rail transit to select and incubate high-quality firms, in order to enhance profitability.

R&D and Innovation

The Group is committed to create an integrated and innovative overall solution for intelligent railway transportation and Intelligent+ products, and a high-tech strategic formulation highland for the industry. By focusing on cloud computing + big data technology as the core and guided by intelligent railway transportation and Intelligent+ application scenarios, the Group conducted product R&D around intelligent passenger information services, intelligent operation and maintenance, intelligent operation, intelligent micro-centres, and security assurance, stimulated its innovation vitality, accumulated momentum for future development and supported the completion of its strategic goals.

In the first half of 2023, the Group adhered to the established strategy of “R&D + innovation”, focused on the independent R&D of core technologies and the transformation of innovation achievements, and continuously solidified its scientific research and technological strengths. The Group’s investment in R&D amounted to approximately HK\$88.9 million, representing a year-on-year increase of approximately 15.4%, which remained at a high level. In terms of project research, the Group actively promoted the R&D of 25 scientific research projects. It participated in and promoted the construction of the Intelligent Urban Rail Next-Generation Intelligent Train Operation System and Platform Demonstration Project (智慧城軌新一代智能列車運行系統及平台示範工程), conducted the R&D of two core platforms in demonstration projects, developed the Industrial Internet-based infrastructure platform and vehicle platform, and pushed forward with the application of cloud technology in the industry. In respect of self-developed products, nine self-developed products, including the unified data access platform, unified data sharing service platform, cloud integrated management platform and intelligent park platform V2.0, were put into use in the first half of 2023. The Group continued to promote platform-level applications to further enhance its market competitiveness. In terms of patents and awards, 11 new patents and 12 new software copyrights were obtained in the first half of 2023, which further enhanced the quantity and quality of independent intellectual property rights and demonstrated the Group’s strength as a technology enterprise. In the meantime, the Group’s subsidiaries were granted a number of important awards in the first half of 2023, including 2023 Achievements in Equipment Management and Technological Innovation in the Transportation Industry (2023交通行業設備管理與技術創新成果) and Cloud-Native Excellent Security Practices (雲原生安全優秀實踐), which laid a solid foundation for its future quality improvement and innovative development.

BUSINESS PROSPECTS

Under the complex and volatile external environment, restoring and expanding demand remains the key to consolidating the foundation of China's economic recovery. Major projects can serve as a significant catalyst for promoting the positive growth of the rail transportation industry, which has shown promising signs of expansion. In terms of industry scale, the approved mileage outlined in the construction plans of Beijing, Shenzhen, Changsha, and other cities totalled more than 400 kilometres, surpassing the approved mileage of approximately 330 kilometres for the whole year of 2022. This indicates that there will be future regional opportunities in key cities with stringent overall planning and approval processes. At the same time, the recovery of rail transportation passenger flow also shows that the future steady development of the industry is still supported by solid demand. From the perspective of industry structure, after the peak of the previous construction period, mechanical and electrical equipment will enter an overhaul or replacement cycle. The emphasis will be gradually placed on both construction and operation instead of merely construction. The after sales market, which mainly focuses on repair and maintenance and upgrading, is expected to take up an increasingly large market share. In terms of technology trends, the development of the rail transit industry towards intelligentisation and decarbonisation will gradually become a consensus. At the same time, passengers will pay more attention to safe, comfortable, convenient travelling experience. In accordance with front-end needs, digital transformation will become an important driving force to promote the upgrading and development of the industry. Various types of intelligent rail transportation products that are deeply integrated with cloud computing, big data and other technologies, will gradually have larger market share.

Moving forward, the Group will proactively adapt to industry trends, deeply understand customers' needs, align with technological advancements, optimise and upgrade strategic initiatives promptly, seize strategic opportunities in specific areas, foster the development of niche business segments such as intelligent passenger information services, data and integration services, and intelligent infrastructure. This will be done by implementing the "3+2" business structure, ensuring precise investment of resources in terms of market, capital, and manpower, with the aim of building a professional brand. In terms of key projects, the Group will cater to the specific requirements of its customers and ensure on-time delivery of major projects to guarantee prompt revenue collection. In terms of market expansion, the Group will intensify its efforts in expanding the market, refine market development strategies, further integrate market resources, and expedite the implementation of innovative businesses such as intelligent passenger information services, leveraging the advantages of the Group's platform. As far as investment control is concerned, the Group will perform differentiated management and drive its investees to get on the core track to achieve specialised development, and strengthen the oversight of finance, compliance, audit and other matters to enhance the Group's overall operational effectiveness. From the perspective of R&D and innovation, the Group will actively integrate the R&D capabilities of each professional division and vigorously facilitate the R&D of innovative products. It will also team up with property owners to carry out a pilot application scheme to further consolidate its technology leadership in the field of intelligent rail transportation.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 729 employees (as at 30 June 2022: 723).

In the first half of 2023, total staff costs (including directors' remuneration) were approximately HK\$131.0 million (six months ended 30 June 2022: HK\$130.0 million).

The Group reviews the remuneration packages with reference to the market salary level and the performance of the employees, and adjusts the remuneration according to the employee's 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 in China, housing provident fund, supplementary medical insurance in Mainland China, contribution to the MPF Scheme and insurances in Hong Kong. The Group also organised professional and vocational trainings for its employees.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil). The Group will retain cash to fund its continued business development and future investment opportunities.

INVESTMENT PROJECT DURING THE FIRST HALF OF 2023

Reference is made to the announcement of the Company dated 7 June 2023 in relation to the formation of a joint venture (the "**Joint Venture Announcement**"). On 7 June 2023, BII Zhongfu, a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement (as defined in the Joint Venture Announcement) with 北京智慧城市網絡有限公司 (Beijing Smart City Network Co., Ltd.*) ("**Beijing Smart City**") and 北明軟件有限公司 (Beiming Software Co., Ltd.*) ("**Beiming Software**") in relation to the formation of the Joint Venture Company (as defined in the Joint Venture Announcement). Pursuant to the Joint Venture Agreement, BII Zhongfu, Beijing Smart City and Beiming Software shall make capital injections of RMB6.4 million (equivalent to approximately HK\$7.1 million), RMB7.6 million (equivalent to approximately HK\$8.4 million) and RMB6 million (equivalent to approximately HK\$6.7 million), respectively, in the Joint Venture Company, in proportion to their respective equity holding in the Joint Venture Company, representing 32%, 38% and 30% of the registered capital of the Joint Venture Company, respectively. Please refer to the Joint Venture Announcement for details.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS

Beijing Metro was established on 15 February 2016, and its equity interest was held by the Group and Beijing Subway Operation as to 49% and 51%, respectively. Its registered capital was RMB500 million, of which RMB245.0 million was contributed by the Group and RMB255.0 million was contributed by Beijing Subway Operation which was an independent third party. Beijing Metro is principally engaged in investing, constructing, operating, managing subway lines, operating value-added services and related property development, including managing the operating income rights of Beijing Subway Airport Express, 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 2023, the carrying amounts of Beijing Metro in the Group's consolidated financial statements by using equity method is approximately HK\$264.7 million, accounting for approximately 6.3% of the Group's total assets as at 30 June 2023. In the first half of 2023, the Group's share of the profit of Beijing Metro was approximately HK\$5.3 million. The Company received approximately HK\$2.7 million dividends in respect of dividends declared in 2020 from Beijing Metro. In the future, the Group will implement investment strategies based on the actual funding and operation needs of Beijing Metro.

Management Discussion and Analysis

Save as disclosed above, there were no other significant investments held, 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 2023.

RISK FACTOR ANALYSIS

Macroeconomic fluctuation risk

The current political and economic situation in the world is complex, which has caused significant impact on the development of Mainland China. Mainland China is in the critical period of economic recovery and industrial upgrading, which brings many opportunities but also certain challenges to the Group.

The Group will strengthen its research on government and industry policies, pay close attention to policy changes, adjust response strategies in a timely manner, and enhance the enterprise's ability to resist risks, so as to reduce the adverse impact of uncertain macro environmental risks on the Group's operations.

Business environment change risk

As the environment of the rail transit industry has changed, the Group's customers mainly include vehicle manufacturers and owners of metro in various cities, and their purchasing behaviors are highly related to policies, and the difficulty of market development continues to increase.

The Group will continue to explore the localised development of the national business, set up subsidiary companies in the core business locations, solve business bidding, market development, personnel management, after-sales response and other business problems, and further improve the competitive advantage of the business.

Innovation technology transformation landing risk

As a technology-driven enterprise, the Group's competitive advantage depends on the timely implementation of cutting-edge technology-related products such as big data, cloud computing and artificial intelligence. If the implementation of new products is not as expected, it will face the risk of losing market competitive advantages, which may result in a decrease in the Group's revenue.

The Group continues to strengthen the tracking, research and evaluation of cutting-edge concepts and technologies in the industry, maintains a high level of R&D investment, vigorously promotes the R&D and transformation of emerging technologies and strategic products, and improves its core technology level.

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 2023, 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 (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) 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 for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules, 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 2023, 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
BII HK	Beneficial owner (Note 1)	1,157,634,900	55.20%
BII	Interest of controlled corporation (Note 1)	1,157,634,900	55.20%
More Legend	Beneficial owner (Note 2)	244,657,815	11.66%
Mr. Cao Wei ("Mr. Cao")	Interest of controlled corporation (Note 2)	244,657,815	11.66%
	Beneficial owner	800,000	0.04%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse (Note 3)	245,457,815	11.70%
China Property and Casualty Reinsurance Company Ltd.* (中國財產再保險有限責任公司)	Beneficial owner (Note 4)	140,737,534	6.71%
China Reinsurance (Group) Corporation* (中國再保險(集團)股份有限公司)	Interest of controlled corporation (Note 4)	146,493,534	6.99%
Central Huijin Investment Ltd.	Interest of controlled corporation (Note 4)	146,493,534	6.99%

* For identification purposes only

Notes:

1. 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.
2. 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. 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.
3. 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.
4. China Property and Casualty Reinsurance Company Ltd.* and China Life Reinsurance Company Ltd. which hold 140,737,534 shares and 5,756,000 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 140,737,534 shares of the Company owned by China Property and Casualty Reinsurance Company Ltd.* and 5,756,000 shares of the Company owned by China Life Reinsurance Company Ltd.

Save as disclosed above, as at 30 June 2023, 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 standard set out in the Model Code.

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the six months ended 30 June 2023. 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 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

SHARE OPTION SCHEME

During the reporting period, the Company did not implement nor had an on-going share option scheme.

* For identification purposes only

Other Information

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. Ms. Xuan Jing, a former executive Director and former chief executive officer of the Company (the "CEO"), resigned as an executive Director and CEO with effect from 21 March 2023. She resigned as Director of Beijing Metro and executive Director of BII Zhongfu with effect from 23 May 2023. She also resigned as chairman of Huaqi Intelligent with effect from 2 June 2023 and resigned as Director and general manager of BII-TDBJ with effect from 20 June 2023.
2. Mr. Liu Yu, executive Director and CEO, was appointed as CEO with effect from 21 March 2023. He was also appointed as chairman of Litmus with effect from 23 May 2023, as executive Director of BII Zhongfu with effect from 23 May 2023, and as Director and general manager of BII-TDBJ with effect from 20 June 2023.
3. Ms. Hou Weiwei, non-executive Director, was appointed as the legal representative, executive director and manager of BII Private Equity Funds Management Co., Ltd* (北京京投私募基金管理有限公司) and resigned as deputy general manager of investment and development headquarters of BII with effect from 17 May 2023. She was also appointed director of Beijing Municipal Administration & Communication Card Co., Ltd* (北京市政交通一卡通有限公司) with effect from 2 June 2023.
4. Mr. Luo Zhenbang, independent non-executive Director, resigned as an independent non-executive director of Glory Health Industry Limited (formerly known as Guorui Properties Limited) (stock code: 2329) with effect from 30 June 2023.

AUDIT COMMITTEE

The Company established an audit committee ("**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 D.3.3 and D.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 2023, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Huang Lixin and Mr. Li Wei.

* For identification purposes only

REVIEW OF INTERIM FINANCIAL REPORT

The interim financial report is unaudited, but has been reviewed by Baker Tilly Hong Kong Limited, 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 2023 and had discussed with the management of the Company and Baker Tilly Hong Kong Limited, 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 2023.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 8 August 2023 in relation to the deemed disposal of equity interest of a subsidiary of the Company (the "**Deemed Disposal Announcement**"). On 8 August 2023, (i) Huaqi Intelligent, a non-wholly owned subsidiary of the Company; (ii) BII Railway, a wholly-owned subsidiary of the Company; (iii) BII Zhongfu, a wholly-owned subsidiary of the Company; (iv) Suzhou Tianyue, a limited partnership established in the PRC, which (a) no equity holder controls, directly or indirectly, one-third or more; and (b) among the diverse equity holder base of over 40 equity holders which (save for Mr. Zhong Hua (鐘華)) comprise independent third parties, Mr. Zhong Hua (鐘華), a director of Huaqi Intelligent, was the general partner and the single largest equity holder who held approximately 31.9% of Suzhou Tianyue as at the date of the Deemed Disposal Announcement; and (v) Suzhou Rail Transit, an independent third party, entered into the Capital Injection Agreement (as defined in the Deemed Disposal Announcement) in relation to the Capital Increase (as defined in the Deemed Disposal Announcement) and the Capital Injection (as defined in the Deemed Disposal Announcement). Pursuant to the Capital Injection Agreement, Suzhou Rail Transit conditionally agreed to inject the Capital Injection of RMB100 million (equivalent to approximately HK\$109 million) into Huaqi Intelligent in return for approximately 7.35% of the enlarged equity interest in Huaqi Intelligent. Please refer to the Deemed Disposal Announcement and note 21 to the notes to the unaudited interim financial report in this report for details.

Definitions

Automatic Fare Collection Clearing Centre (自動售檢票清算中心)	“ACC”
Automated Fare Collection System (自動售檢票系統)	“AFC”
Automatic Fare Collection Network Control Centre (自動售檢票線網管理中心)	“ANCC”
Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)* (保定基石連盈創業投資基金中心(有限合夥))	“Cornerstone Lianying”
Beijing Cornerstone Chuangying Investment Center (Limited Partnership)* (北京基石創盈投資中心(有限合夥))	“Cornerstone Chuangying”
Beijing Cornerstone Huiying Venture Capital Centre (Limited Liability Partnership)* (北京基石慧盈創業投資中心(有限合夥))	“Cornerstone Huiying”
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司)	“BII”
Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司)	“BII HK”
Beijing Metro Co., Ltd.* (北京京城地鐵有限公司)	“Beijing Metro”
Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司)	“Metro Science and Technology”
Beijing Ruubypay Science and Technology Co., Ltd.* (北京如易行科技有限公司)	“Ruubypay”
BII Railway Technology Development Holdings Company Limited* (京投軌道科技發展有限公司)	“BII Railway”
BII Railway Transportation Technology Holdings Company Limited (京投軌道交通科技控股有限公司)	“the Company”
BII Railway Transportation Technology Holdings Company Limited and its subsidiaries (京投軌道交通科技控股有限公司及其附屬公司)	“the Group”
BII Technology Development Co., Ltd.* (北京京投卓越科技發展有限公司)	“BII-TDBJ”
BII Zhongfu Technology Company Limited* (京投眾甫科技有限公司)	“BII Zhongfu”

Definitions

Board of Directors	“Board”
Great Legend Development Limited	“Great Legend”
Litmus Technologies (Beijing) Co., Ltd.* (北京樂碼仕智能科技有限公司)	“Litmus”
More Legend Limited	“More Legend”
Ordinary share(s) of HK\$0.01 each in the share capital of the Company	“Share(s)”
Passenger Information System (乘客信息系統)	“PIS”
Shareholder(s) of the Company	“Shareholder(s)”
Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技股份有限公司)	“Huaqi Intelligent”
Suzhou Rail Transit Group Co., Ltd.* (蘇州市軌道交通集團有限公司)	“Suzhou Rail Transit”
Suzhou Tianyue Enterprise Management Partnership (Limited Partnership)* (蘇州田玥企業管理合夥企業(有限合夥))	“Suzhou Tianyue”
the director(s) of the Company	“Director(s)”
The Rules Governing the Listing of Securities on the Stock Exchange	“Listing Rules”
The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)	“Stock Exchange”
Traffic Control Centre (線網指揮中心)	“TCC”

* For identification purposes only

Interim 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 26 to 52 which comprises the condensed consolidated statement of financial position of BII Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 30 June 2023 and the related condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard ("IAS") 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 IAS 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 inquiries, 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 2023 is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

OTHER MATTER

The comparative condensed consolidated statement of profit or loss, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period ended 30 June 2022 and relevant explanatory notes included in this interim financial report were extracted from the unaudited interim financial report of the Group for six-month period ended 30 June 2022 reviewed by another auditor who expressed an unmodified conclusion on those interim financial report on 30 August 2022. The comparative condensed consolidated statement of financial position as at 31 December 2022 and relevant explanatory notes included in this interim financial report were extracted from the consolidated financial statements of the Group for the year ended 31 December 2022 audited by the same auditor who expressed an unmodified opinion on those statements on 27 March 2023.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 29 August 2023

Wan Wing Ping

Practising Certificate Number P07471

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue	4	473,188	573,857
Cost of sales		(284,813)	(386,997)
Gross profit		188,375	186,860
Other income		13,995	13,521
Selling, general and administrative expenses		(110,231)	(118,334)
(Impairment loss)/reversal of impairment loss on trade and other receivables and contract assets		(3,214)	3,130
Research and development expenses		(88,865)	(76,997)
Profit from operations		60	8,180
Finance costs	5(a)	(5,293)	(5,248)
Share of results of joint ventures and associates		9,016	21,113
Fair value change on other financial assets		(336)	1,955
Fair value change on contingent considerations		-	1
Profit before taxation	5	3,447	26,001
Income tax	6	(815)	2,022
Profit for the period		2,632	28,023
Attributable to:			
Equity shareholders of the Company		5,081	32,552
Non-controlling interests		(2,449)	(4,529)
Profit for the period		2,632	28,023
Earnings per share			
Basic and diluted (HK\$)	7	0.0024	0.0155

The notes on pages 32 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 16.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023 (Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Profit for the period	2,632	28,023
Other comprehensive expense for the period (after tax):		
Items that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	(4,884)	–
– Share of other comprehensive expense of a joint venture	(599)	–
	(5,483)	–
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	(74,169)	(118,995)
Other comprehensive expense for the period	(79,652)	(118,995)
Total comprehensive expense for the period	(77,020)	(90,972)
Attributable to:		
Equity shareholders of the Company	(71,539)	(83,951)
Non-controlling interests	(5,481)	(7,021)
Total comprehensive expense for the period	(77,020)	(90,972)

The notes on pages 32 to 52 form part of this interim financial report.

Condensed Consolidated Statement of Financial Position

As at 30 June 2023 (Expressed in Hong Kong dollars)

	Note	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	200,169	224,829
Intangible assets		196,654	208,605
Goodwill	9	546,339	563,880
Interests in joint ventures and associates		410,693	407,171
Other financial assets		113,886	122,736
Deferred tax assets		37,868	33,946
		1,505,609	1,561,167
Current assets			
Inventories and other contract costs		478,628	446,197
Contract assets	10(a)	587,064	611,803
Trade and other receivables	11	938,549	975,942
Cash on hand and in bank	12	700,129	808,651
		2,704,370	2,842,593
Current liabilities			
Trade and other payables	13	1,061,640	1,195,345
Contract liabilities	10(b)	104,092	39,702
Bank borrowings	14	123,647	83,930
Lease liabilities		11,663	17,640
Current taxation		14,641	33,404
Provision for warranties		8,498	8,461
		1,324,181	1,378,482
Net current assets		1,380,189	1,464,111
Total assets less current liabilities		2,885,798	3,025,278

Condensed Consolidated Statement of Financial Position

As at 30 June 2023 (Expressed in Hong Kong dollars)

	Note	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Non-current liabilities			
Other borrowing	15	300,000	300,000
Lease liabilities		18,348	22,218
Contingent considerations		1,964	2,027
Deferred tax liabilities		41,225	43,924
Deferred income		325	1,772
Provision for warranties		5,689	5,544
		367,551	375,485
NET ASSETS		2,518,247	2,649,793
CAPITAL AND RESERVES			
Share capital		20,971	20,971
Reserves		2,426,379	2,552,444
Total equity attributable to equity shareholders of the Company		2,447,350	2,573,415
Non-controlling interests		70,897	76,378
TOTAL EQUITY		2,518,247	2,649,793

The notes on pages 32 to 52 form part of this interim financial report.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserve HK\$'000	Fair value reserve (non-recycling) 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 2022 (audited)	20,971	1,718,813	26,424	83,940	-	94,010	716,002	2,660,160	111,734	2,771,894
Changes in equity for six months ended 30 June 2022:										
Profit for the period	-	-	-	-	-	-	32,552	32,552	(4,529)	28,023
Other comprehensive expense	-	-	-	-	-	(116,503)	-	(116,503)	(2,492)	(118,995)
Total comprehensive expense	-	-	-	-	-	(116,503)	32,552	(83,951)	(7,021)	(90,972)
Dividends declared in respect of the previous year (Note 16)	-	(56,623)	-	-	-	-	-	(56,623)	-	(56,623)
Change in capital reserve of associates	-	-	(286)	-	-	-	-	(286)	-	(286)
Balance at 30 June 2022 (unaudited)	20,971	1,662,190	26,138	83,940	-	(22,493)	748,554	2,519,300	104,713	2,624,013
Balance at 1 January 2023 (audited)	20,971	1,662,190	26,362	86,828	-	(115,302)	892,366	2,573,415	76,378	2,649,793
Changes in equity for six months ended 30 June 2023:										
Profit for the period	-	-	-	-	-	-	5,081	5,081	(2,449)	2,632
Other comprehensive expense	-	-	-	-	(5,483)	(71,137)	-	(76,620)	(3,032)	(79,652)
Total comprehensive expense	-	-	-	-	(5,483)	(71,137)	5,081	(71,539)	(5,481)	(77,020)
Dividends declared in respect of the previous year (Note 16)	-	(54,526)	-	-	-	-	-	(54,526)	-	(54,526)
Balance at 30 June 2023 (unaudited)	20,971	1,607,664	26,362	86,828	(5,483)	(186,439)	897,447	2,447,350	70,897	2,518,247

The notes on pages 32 to 52 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2023 (Expressed in Hong Kong dollars)

	Note	Six months ended 30 June	
		2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Operating activities			
Cash used in operations		(32,596)	(215,066)
Interest received		2,439	3,328
Income tax paid		(19,895)	(9,226)
Net cash used in operating activities		(50,052)	(220,964)
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		(14,851)	(35,276)
Proceeds from disposal of property, plant and equipment		2	4
Dividends received		2,700	1,768
Loans repaid from an associate		–	4,892
Interest received from an associate		–	76
Net cash used in investing activities		(12,149)	(28,536)
Financing activities			
Payment for acquisition of non-controlling interests of a subsidiary		(45,802)	–
Proceeds from drawdown of bank borrowings		45,009	9,355
Repayment of bank borrowings		(15,753)	(14,975)
Capital element of lease rentals paid		(5,846)	(7,965)
Interest element of lease rentals paid		(889)	(1,803)
Interest paid		(4,417)	(3,467)
Net cash used in financing activities		(27,698)	(18,855)
Net decrease in cash and cash equivalents		(89,899)	(268,355)
Cash and cash equivalents at 1 January	12	667,370	848,043
Effect of foreign exchange rate changes		(14,727)	9,330
Cash and cash equivalents at 30 June	12	562,744	589,018

The notes on pages 32 to 52 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

1 CORPORATION INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 May 2012. The listing of the Company’s shares was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The interim financial report of the Company as at and for the six months ended 30 June 2023 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 (i) provides hardware and software products and services of high-speed railways, intercity railways, suburban railways and metro system; (ii) provides hardware and software products and services of intelligent railways transportation and intelligent operation and maintenance; (iii) provides information system services of civil communication transmission systems, utility tunnel areas and integrated transportation hubs; and (iv) investment in the railway transportation 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 29 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 annual financial statements. The interim financial report 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”).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

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 IAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to IAS 12, *Income Tax: Deferred Tax related to assets and liabilities arising from a single transaction*
- Amendments to IAS 12, *Income Tax: International Tax Reform-Pillar Two model Rules*

None of these amendments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENTS 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Revenue from contracts with customers within the scope of IFRS 15 (re-presented)		
Disaggregated by major service lines		
– Revenue from intelligent passenger information services	243,942	241,821
– Revenue from data and integration services	143,247	249,557
– Revenue from intelligent infrastructure	85,999	82,479
	473,188	573,857
Disaggregated by geographical location of customers		
– Mainland China	448,096	542,396
– Hong Kong	9,802	16,945
– India	15,290	14,516
	473,188	573,857

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

4 REVENUE AND SEGMENTS REPORTING (CONTINUED)

(b) Segments 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 assessments.

In prior years, the Group identified three reportable segments. Starting from the current financial period, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments as the Group's most senior executive management consider that the revised reportable segments provide a better summary to them in reviewing the Group's operating performance and making decisions in resource allocation. Accordingly, the comparative figures of the reportable segments have been re-presented to conform with the current period's presentation. The Group now presents the following four reportable segments. No operating segments have been aggregated to form the following reportable segments:

- Intelligent passenger information services: this segment provides hardware and software products and services of high-speed railways, intercity railways, suburban railways and metro system.
- Data and integration services: this segment provides hardware and software products and services of intelligent railways transportation and intelligent operation and maintenance.
- Intelligent infrastructure: this segment provides information system services of civil communication transmission systems, utility tunnel areas and integrated transportation hubs.
- Business development investment: this segment manages the equity investments in railway transportation and infrastructure areas.

(i) SEGMENTS 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 2023 and 2022. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss/reversal of impairment loss on trade and other receivables and contract assets, research and development expenses, finance costs, fair value change on other financial assets and fair value change on contingent considerations, are not measured under individual segments. Accordingly, no such information is presented.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

4 REVENUE AND SEGMENTS REPORTING (CONTINUED)

(b) Segments reporting (continued)

(i) SEGMENTS RESULTS (CONTINUED)

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 2023 and 2022 is set out below:

	Six months ended 30 June 2023				
	Intelligent passenger information services HK\$'000 (unaudited)	Data and integration services HK\$'000 (unaudited)	Intelligent infrastructure HK\$'000 (unaudited)	Business development investment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Disaggregated by timing of revenue recognition					
Point in time	233,930	94,260	4,741	–	332,931
Over time	10,012	48,987	81,258	–	140,257
Revenue from external customers and reportable segments revenue	243,942	143,247	85,999	–	473,188
Reportable segments gross profit	119,083	33,185	36,107	–	188,375
Share of results of joint ventures and associates	–	–	–	9,016	9,016

	Six months ended 30 June 2022 (re-presented)				
	Intelligent passenger information services HK\$'000 (unaudited)	Data and integration services HK\$'000 (unaudited)	Intelligent infrastructure HK\$'000 (unaudited)	Business development investment HK\$'000 (unaudited)	Total HK\$'000 (unaudited)
Disaggregated by timing of revenue recognition					
Point in time	233,806	208,485	1,823	–	444,114
Over time	8,015	41,072	80,656	–	129,743
Revenue from external customers and reportable segments revenue	241,821	249,557	82,479	–	573,857
Reportable segments gross profit	113,421	33,400	40,039	–	186,860
Share of results of joint ventures and associates	–	–	–	21,113	21,113

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

4 REVENUE AND SEGMENTS REPORTING (CONTINUED)

(b) Segments reporting (continued)

(ii) RECONCILIATION OF REPORTABLE SEGMENTS PROFIT OR LOSS

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Reportable segments gross profit	188,375	186,860
Other income	13,995	13,521
Selling, general and administrative expenses	(110,231)	(118,334)
(Impairment loss)/reversal of impairment loss on trade and other receivables and contract assets	(3,214)	3,130
Research and development expenses	(88,865)	(76,997)
Finance costs	(5,293)	(5,248)
Share of results of joint ventures and associates	9,016	21,113
Fair value change on other financial assets	(336)	1,955
Fair value change on contingent considerations	–	1
Profit before taxation	3,447	26,001

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Interest on bank borrowings	1,810	858
Interest on borrowing from a related party	2,594	2,587
Interest on lease liabilities	889	1,803
	5,293	5,248

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items:

	Six months ended 30 June	
	2023	2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Depreciation charge		
– owned property, plant and equipment	17,673	14,999
– right-of-use assets	8,053	9,030
Amortisation of intangible assets	12,930	11,532
Staff costs	132,035	130,120
Interest income	(2,185)	(3,328)
Government grants	(11,162)	(7,469)
Net foreign exchange gain	(795)	(2,279)
Net loss on disposal of property, plant and equipment (Note 8)	22	45

6 INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK\$'000 (unaudited)	HK\$'000 (unaudited)
Current taxation – Hong Kong Profits Tax:		
– Provision for the period (Note (i))	489	1,434
Current taxation – The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT"):		
– Provision for the period (Note (ii))	6,402	826
– Withholding tax on dividend income (Note (iii))	515	–
	6,917	826
Deferred taxation:		
– Origination and reversal of temporary differences	(6,591)	(4,282)
	815	(2,022)

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

6 INCOME TAX (CONTINUED)

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 2023 (six months ended 30 June 2022: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2022.

- (ii) The subsidiaries of the Group established in the PRC are subject to the PRC EIT rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 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.
- (iii) Under the Law of the PRC EIT, 10% (six months ended 30 June 2022: 10%) withholding tax is levied on dividend from enterprises established in the PRC to foreign enterprises.
- (iv) The Company and the subsidiaries of the Group incorporated in jurisdictions other than either the PRC, Hong Kong or India are not subject to any income tax, pursuant to the rules and regulations of their respective jurisdictions of incorporation.
- (v) One subsidiary of the Group incorporated in the India is subject to income tax rate of 25% for the six months ended 30 June 2023, pursuant to the rules and regulations of the India (six months ended 30 June 2022: 25%).

7 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$5,081,000 (six months ended 30 June 2022: HK\$32,552,000) and the weighted average of 2,097,146,727 ordinary shares (2022: 2,097,146,727 ordinary shares) in issue during the interim period.

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2023 and 2022. 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 2023, the Group received rent concessions from a landlord for existing leased office which resulted in lease modification and decreased in cost of right-of-use assets by HK\$3,985,000 (six months ended 30 June 2022: Nil) and the Group has entered into a new lease agreement for use of buildings and therefore recognised the additions to right-of-use assets of HK\$856,000 (six months ended 30 June 2022: Nil).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2023, the Group acquired items of property, plant and equipment with a cost of HK\$7,442,000 (six months ended 30 June 2022: HK\$27,337,000).

Items of property, plant and equipment with a carrying amount of HK\$24,000 were disposed of during the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$91,000), resulting in a net loss of disposal HK\$22,000 (six months ended 30 June 2022: HK\$45,000).

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

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 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Operations in the provision of intelligent passenger information services (Note (i))	485,393	500,977
Operations in the provision of data and integration services (Note (ii))	51,221	52,866
Operations related to the intelligent infrastructure (Note (iii))	9,725	10,037
	546,339	563,880

Notes:

- (i) Goodwill was mainly arisen from the Group's acquisition of the 95% equity interests in Suzhou Huaqi Intelligent Technology Co., Ltd. ("Huaqi Intelligent") (蘇州華啟智能科技有限公司) in 2019.
- (ii) Goodwill was mainly arisen from the Group's acquisition of the 100% equity interests in Innovation Holding Co., Ltd. in 2013.
- (iii) 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 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Contract assets		
Arising from performance under contracts with customers	633,243	659,749
Less: loss allowance	(46,179)	(47,946)
	587,064	611,803

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

10 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Contract liabilities		
Service contracts		
– billings in advance of performance	104,092	39,702

11 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade receivables	688,060	626,676
Bills receivable	163,061	282,301
	851,121	908,977
Less: loss allowance	(40,740)	(39,184)
Trade and bills receivables, net of loss allowance (Note)	810,381	869,793
Prepayments, deposits and other receivables	105,990	88,071
Less: loss allowance	(280)	–
	105,710	88,071
Value-added tax recoverable	22,458	18,078
	938,549	975,942

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

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

Note:

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills receivables, based on the invoice date after loss allowance, is as follows:

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Within 1 year	609,571	706,353
Over 1 year	200,810	163,440
	810,381	869,793

All trade receivables are due for payment upon issuance of demand note and all bills receivables are with a maturity period of less than one year.

12 CASH ON HAND AND IN BANK

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Cash on hand and in bank	562,744	667,370
Restricted bank deposits	137,385	141,281
Cash and cash equivalents in the condensed consolidated statement of financial position	700,129	808,651
Less: restricted bank deposits (Note 19)	(137,385)	(141,281)
Cash and cash equivalents in the condensed consolidated cash flow statement	562,744	667,370

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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

13 TRADE AND OTHER PAYABLES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade payables	683,773	799,369
Bills payable	122,516	116,250
Trade and bills payables (Note)	806,289	915,619
Accrued expenses and other payables	105,729	126,555
Consideration payable for acquisition of non-controlling interests	–	45,561
Consideration payable for acquisition of a subsidiary	81,086	83,689
Dividend payable	54,526	–
Other taxes payables	14,010	23,921
	1,061,640	1,195,345

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

Note:

Ageing analysis

As of the end of reporting period, the ageing analysis of trade and bills payables, based on the maturity date, is as follows:

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Due within 1 month or on demand	735,056	847,843
Due after 1 month but within 6 months	71,233	58,427
Due after 6 months but within 1 year	–	9,349
	806,289	915,619

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

14 BANK BORROWINGS

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Unguaranteed and unsecured bank borrowings	123,647	83,930

Some of the Group's bank borrowings are subject to fulfilment of covenants commonly found in lending agreements with financial institutions. If the Group were to breach the covenants, the drawn down borrowings would become payable on demand. The Group's management regularly monitors its compliance with these covenants. As at 30 June 2023 and 31 December 2022, none of the covenants relating to the drawn down facilities has been breached.

All of the bank borrowings are carried at amortised cost and the carrying amount is repayable within one year and shown under current liabilities.

15 OTHER BORROWING

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Borrowing from a related party	300,000	300,000

As at 30 June 2023 and 31 December 2022, the borrowing from a related party was pledged by the Company's equity interests in a subsidiary.

The other borrowing is carried at amortised cost and the carrying amount is repayable after one year and shown under non-current liabilities.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

16 DIVIDENDS

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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$2.6 cents (six months ended 30 June 2022: HK\$2.7 cents) per ordinary share	54,526	56,623

17 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.

Notes to the Unaudited Interim Financial Report

(Expressed in Hong Kong dollars)

17 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 2023 HK\$'000 (unaudited)	Fair value measurement as at 30 June 2023 categorised into Level 3 HK\$'000 (unaudited)
Recurring fair value measurement		
Financial assets:		
Other financial assets measured at fair value through profit or loss ("FVPL")	67,959	67,959
Other financial assets designated at fair value through other comprehensive income ("FVOCI")	45,927	45,927
Financial liabilities:		
Contingent considerations	1,964	1,964

	Fair value at 31 December 2022 HK\$'000 (audited)	Fair value measurement as at 31 December 2022 categorised into Level 3 HK\$'000 (audited)
Recurring fair value measurement		
Financial assets:		
Other financial assets measured at FVPL	70,475	70,475
Other financial assets designated at FVOCI	52,261	52,261
Financial liabilities:		
Contingent considerations	2,027	2,027

During the six months ended 30 June 2023, 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.

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17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

Other financial assets measured at FVPL

The valuation model of the fair value of unlisted equity investment in Beijing Cornerstone Huiying Venture Capital Investment Centre (Limited Liability Partnership) is based on adjusted recent transaction price of the underlying investments or market multiples (i.e. price to earnings multiples) from companies comparable and adjusted for the lack of marketability discount of the underlying investments.

The Group determines the fair value of unlisted equity investment in Beijing Zhilian Youdao Technology Co., Ltd. is based on market multiples (i.e. price to earnings multiples) from companies comparable and adjusted for the lack of marketability discount of the underlying investments.

Other financial assets designated at FVOCI

The valuation model of the fair value of unlisted equity investment in Beijing Ruubypay Science and Technology Co., Ltd. is based on market multiples (i.e. enterprise value to earnings before interest, tax, depreciation and amortisation multiple/price to sales multiples) from companies comparable and adjusted for the lack of marketability discount of the underlying investments.

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.

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17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS (CONTINUED)

Contingent considerations

The fair value of contingent considerations is 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.

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.

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17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) 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	
	2023 HK\$'000	2022 HK\$'000
Other financial assets measured at FVPL:		
Balance at 1 January (audited)	70,475	67,576
(Loss)/gain included in "Fair value change on other financial assets"		
– Net change in fair value (unrealised)	(336)	1,955
Loss included in "Other Comprehensive Income"		
– Net foreign exchange loss	(2,180)	(3,026)
Balance at 30 June (unaudited)	67,959	66,505
Other financial assets designated at FVOCI:		
Balance at 1 January (audited)	52,261	–
Loss included in "Other Comprehensive Income"		
– Net changes in fair value (unrealised)	(4,884)	–
– Net foreign exchange loss	(1,450)	–
Balance at 30 June (unaudited)	45,927	–
Put-options in connection with acquisition of a subsidiary:		
Balance at 1 January (audited)	–	1,069
Loss included in "Other Comprehensive Income"		
– Net foreign exchange loss	–	(47)
Balance at 30 June (unaudited)	–	1,022
Contingent considerations receivable:		
Balance at 1 January (audited)	–	27
Gain included in "Fair value change in contingent considerations"		
– Net change in fair value (unrealised)	–	1
Loss included in "Other Comprehensive Income"		
– Net foreign exchange loss	–	(1)
Balance at 30 June (unaudited)	–	27
Contingent considerations payable:		
Balance at 1 January (audited)	2,027	–
Gain included in "Other Comprehensive Income"		
– Net foreign exchange gain	(63)	–
Balance at 30 June (unaudited)	1,964	–
Put-options in connection with cash-settled share-based transaction:		
Balance at 1 January (audited)	–	11,573
Gain included in "Other Comprehensive Income"		
– Net foreign exchange gain	–	(187)
Balance at 30 June (unaudited)	–	11,386

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17 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 2023 and 31 December 2022.

18 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company and certain of the highest paid employees of the Group is as follows:

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Short-term employee benefits	1,929	3,037
Retirement scheme contributions	364	371
	2,293	3,408

(b) Related party transactions

TRANSACTIONS WITH EQUITY SHAREHOLDERS OF THE COMPANY AND THEIR AFFILIATES

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited) (re-presented)
Interest expense	2,594	2,587
Revenue from intelligent passenger information services	11,232	5,626
Revenue from data and integration services	72,488	70,078
Revenue from intelligent infrastructure	5,465	1,631
Expense relating to short-term lease	254	2,469
Purchases of goods and services	13,323	12,300

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

	Six months ended 30 June	
	2023 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)
Purchases of goods	55,804	58,235
Dividends received	2,700	1,768
Revenue from intelligent passenger information services	1,760	1,310
Interest income	–	76

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18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Related party balances

BALANCES WITH EQUITY SHAREHOLDERS OF THE COMPANY AND THEIR AFFILIATES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade receivables	67,884	60,902
Prepayments, deposit and other receivables	5,519	3,412
Contract liabilities	47,695	27,320
Trade payables	3,352	32,843
Accrued expenses and other payables	2,169	1,413
Other borrowing	300,000	300,000

BALANCES WITH JOINT VENTURES AND ASSOCIATES

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Trade receivables	4,456	282
Prepayments, deposit and other receivables	26,974	19,332
Trade payables	25,221	63,087
Accrued expenses and other payables	1,641	–

Except for other borrowing which is secured, interest bearing and repayable according to contract terms (Note 15), all the above balances are unsecured, interest-free and repayable on demand or according to contract terms.

Notes to the Unaudited Interim Financial Report

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18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

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

The ultimate holding company of the Company, Beijing Infrastructure Investment Co., Ltd. ("BII"), is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 18(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 borrowings; and
- purchase of other financial assets.

19 CONTINGENCY

In 2018, the Group acquired 95% equity interests of Huaqi Intelligent with certain considerations deferred and adjustable to the performance of Huaqi Intelligent during the calendar years of 2019, 2020 and 2021 (the "Deferred Considerations"). At 30 June 2023, the unpaid Deferred Considerations, of which amount was confirmed by the former shareholder of Huaqi Intelligent (the "Former Shareholder") in written, was RMB74,760,000 (equivalent to HK\$81,086,000 (31 December 2022: HK\$83,689,000) and recognised as "trade and other payables" of the Group. The Former Shareholder pledged its contractual rights to the Deferred Considerations to a bank for certain bank borrowings. As a result of default of the Former Shareholder, the bank has taken legal action against the Former Shareholder and sued the Company as one of the defendants. On 10 February 2022, the Company received an execution notice from Beijing Financial Court to freeze its deposits and/or relevant foreign currencies deposits in the relevant bank for the period from 10 February 2022 to 9 February 2025. At 30 June 2023 the freezed balances equivalent to HK\$102,291,000 (31 December 2022: HK\$95,304,000).

After consultation with legal advisor of the Company, the directors of the Company are of the opinion that the Group is only liable for the unpaid Deferred Considerations, which has already been recorded as liability of the Group, to the Former Shareholder as well as the bank. No further provision is needed for the legal suit as mentioned above. The directors are of the opinion that the freeze of bank deposits of the Company has no significant impact on either the Company's or the Group's liquidity.

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20 COMMITMENTS

Commitments outstanding at 30 June 2023 not provided for in the interim financial report:

	At 30 June 2023 HK\$'000 (unaudited)	At 31 December 2022 HK\$'000 (audited)
Contracted for capital injection of a joint venture	7,100	–

21 EVENTS AFTER THE REPORTING PERIOD

On 8 August 2023, Huaqi Intelligent, a non-wholly owned subsidiary of the Company, entered into a capital injection agreement with, among others, Suzhou Rail Transit Group Co., Ltd. ("Suzhou Rail Transit") (蘇州市軌道交通集團有限公司), pursuant to which Suzhou Rail Transit agreed to a capital injection of RMB100,000,000 (equivalent to approximately HK\$109,000,000) into Huaqi Intelligent in return for approximately 7.35% of the enlarged equity interest in Huaqi Intelligent. Accordingly, the Group's effective equity interests in Huaqi Intelligent will be diluted from 98.7% to approximately 91.44%.