京投軌道交通科技控股有限公司
BII RAILWAY TRANSPORTATION TECHNOLOGY HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1522

NAVIGATING 2025

Sustainable Development

2023 ANNUAL REPORT

CONTENTS

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. Ng Ka Man

COMPANY SECRETARY

Ms. Ng Ka Man

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
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

Tower 2, Fusheng Building, No. 4 Huixin East Street,
Chaoyang District, Beijing, China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Rm 2502, 25/F, Tower 1,
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

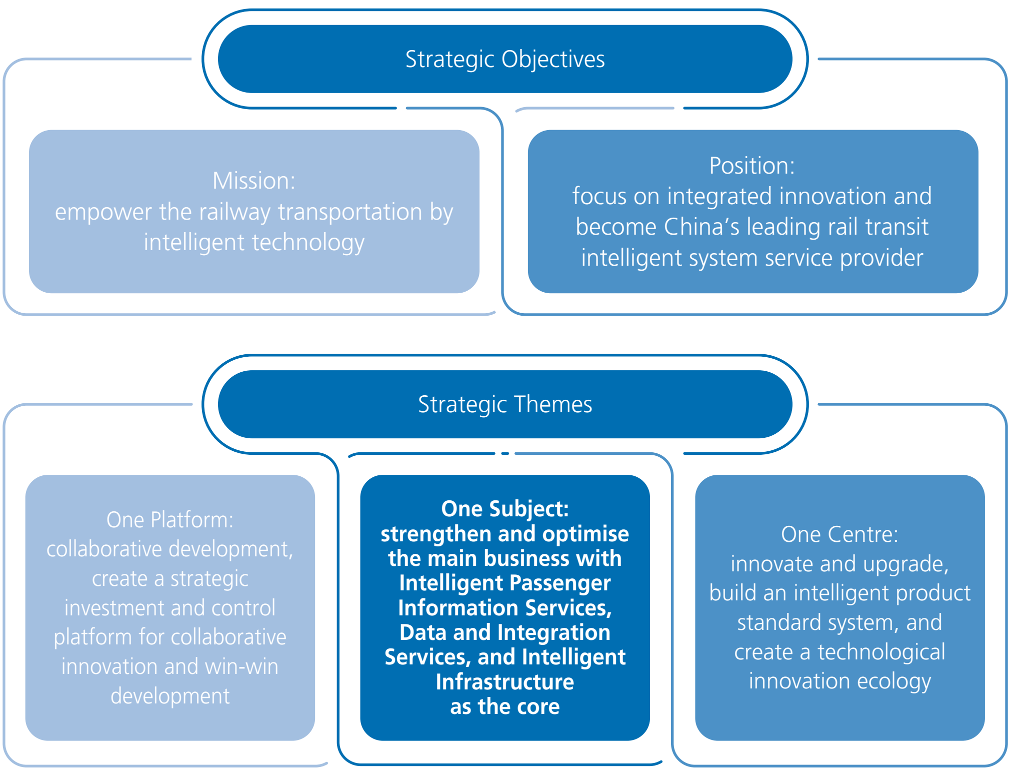
COMPANY OVERVIEW

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, smart card automatic charging 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.

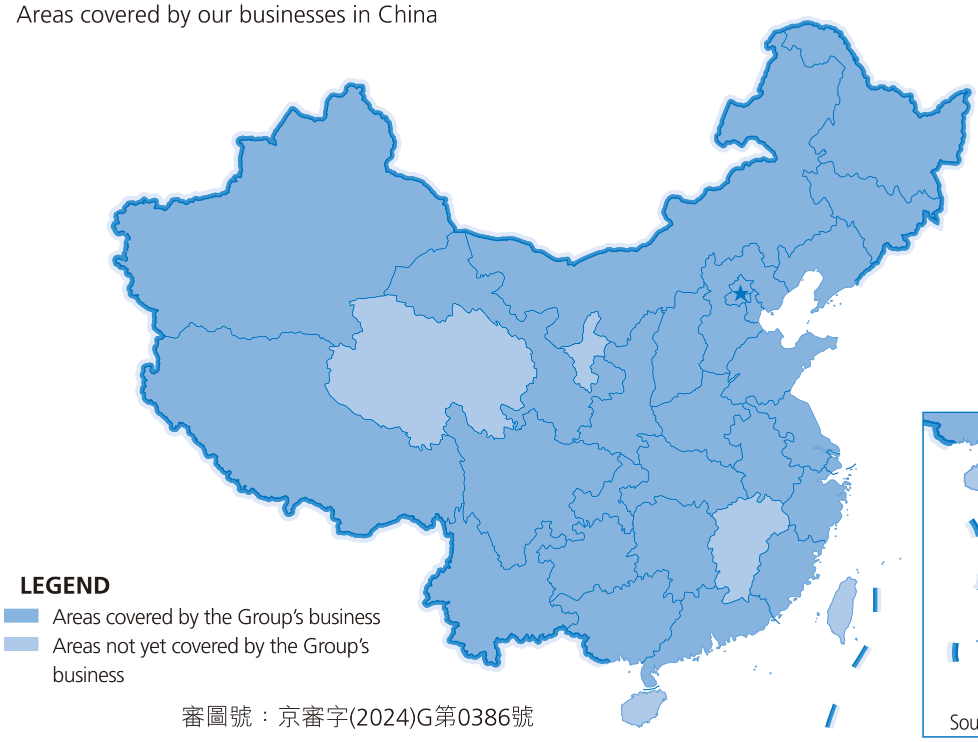


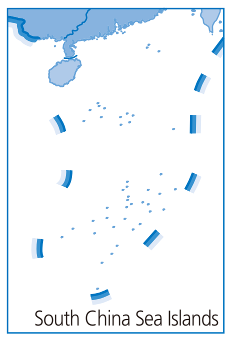
MARKET STRATEGY

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.

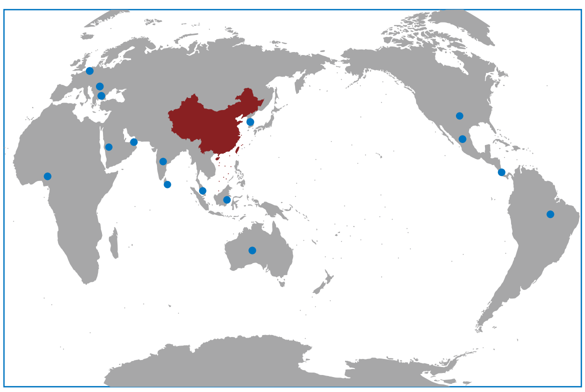
As at 31 December 2023, the Group's businesses covered 54 cities in 28 provinces, municipalities, autonomous regions and special administrative regions in China, where it provided products and services, including Intelligent Passenger Information Services, Data and Integration Services, and Intelligent Infrastructure. As for overseas market, it has expanded into 26 cities in 16 overseas countries and regions.

Areas covered by our businesses in China





審圖號：京審字(2024)G第0386號



Areas covered by our businesses overseas

Areas covered 3 years before	India, Sri Lanka, Indonesia, Costa Rica, the USA, Mexico, Brazil, Bulgaria, Romania
New areas added in 3 years	Australia, Saudi Arabia, United Arab Emirates, Malaysia, Nigeria, Israel, South Korea

SUMMARY WITH FIGURES

The Group concentrated on railway transportation for

19 YEARS

Its businesses covered

54 CITIES in Mainland China and **26** CITIES overseas in 16 countries and regions

It owned **120** PATENTS and **568** SOFTWARE COPYRIGHTS

As at 31 December 2023, the orders on hand of the Group was approximately

HK$2.53 BILLION

AWARDS AND HONORS IN 2023

The second prize of "Achievements of Transportation Industry Equipment management and technological innovation in 2023" for its wholly domestic chip reader products

"Excellent Case of Cloud Native Security" hosted by ICT China 2023 High Level Forum for its edge cloud platform of vehicles

The third prize of "2022 Zhongguancun 5G Innovation Application Competition finals"

TOP 10 of the 6th Zhongguancun International Advanced Technology Competition in 5G fields

TOP 30 of grand finals of the 6th Zhongguancun International Advanced Technology Competition

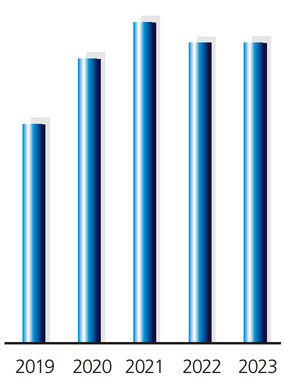
FINANCIAL HIGHLIGHTS*(Note)*

	For the year ended 31 December				
	2023	2022	2021	2020	2019
Key profit or loss items (HK$ Thousand)					
Revenue	**1,637,181**	1,638,948	1,749,210	1,549,976	1,193,937
Gross profit	**591,007**	586,299	647,526	615,259	424,779
Earnings before interest, taxes, depreciation and amortization	**300,859**	307,322	318,475	297,813	209,019
Profit attributable to equity shareholders of the Company	**174,313**	179,252	187,535	168,407	96,870

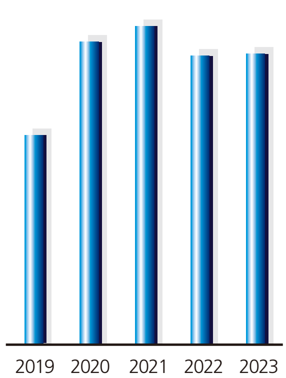
	As at 31 December				
	2023	2022	2021	2020	2019
Key statement of financial position items (HK$ Thousand)					
Non-current assets	**1,586,428**	1,561,167	1,582,939	1,468,125	1,528,471
Current assets	**2,922,255**	2,842,593	2,833,723	2,828,905	2,505,375
Total assets	**4,508,683**	4,403,760	4,416,662	4,297,030	4,033,846
Total liabilities	**1,629,834**	1,753,967	1,644,768	1,744,026	1,761,306
Equity attributable to equity shareholders of the Company	**2,707,818**	2,573,415	2,660,160	2,452,617	2,189,216

Financial year	**2023**	2022	2021	2020	2019
Return to shareholders					
Earnings per share					
– Basic (HK$ cent)	**8.3**	8.5	8.9	8.0	4.6
– Diluted (HK$ cent)	**8.3**	8.5	8.9	8.0	4.6
Dividend per share (HK$ cent)	**2.5**	2.6	2.7	2.5	2.0
Net assets per share (HK$)	**1.4**	1.3	1.3	1.2	1.0

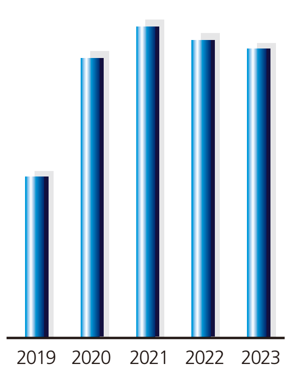
Revenue (HK$ Thousand)



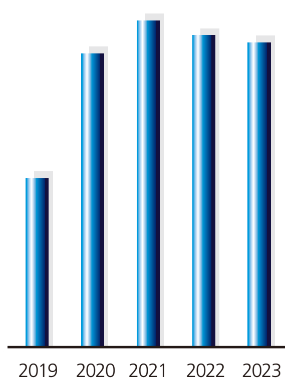
Gross profit (HK$ Thousand)



Profit attributable to equity shareholders of the Company (HK$ Thousand)



Basic earnings per share (HK$ cent)



Note: HK$/RMB average exchange rate for 2023 was approximately 0.9011 and for 2022 was approximately 0.8628 respectively, representing an increase of approximately 4.4%.

CHAIRMAN'S STATEMENT

Dear valued Shareholders and friends,

On behalf of the board of directors (the Board), I am pleased to present the annual results of the Group for FY2023.

The year of 2023 was a challenging year. Facing the complicated external environment and severe market situation, the Group kept abreast of the development trend of the industry, stepped up its presence in intelligent rail transportation, continuously consolidated the traditional advantages, and actively explored new development opportunities. To meet the safety and high efficiency, greenness and environmental protection, and intelligentisation and advancement demands of owners, efforts were made to enhance its core technical competence, provide integrated solutions, and improve the added value of products, insist on empowering rail transportation with intelligent technology and focus on integrated innovation, with an aim to become China's leading intelligent rail transit system service provider.

STRATEGIC RESULTS

The Group, adhering to the mindset of "business-oriented growth, innovation-driven development and efficient management", conducted in-depth assessment and review, proactively optimised its business lines, and adjusted the corresponding organisational structure to establish three major business divisions, namely the intelligent passenger information services business, the data and integration services business and the intelligent infrastructure business, as well as the two platforms of the research and development center and the capital center, which forms the "3+2" business pattern, in order to proactively respond to changes in the internal and external environments, adapt to market trends and meet customer needs, and strengthen the guidance of the Company's strategies on business development. The new pattern not only ensures the stability of the existing business segments, but also maximises the integration and optimisation of the Group's resources, which is conducive to determining the needs of customers in the segmented markets, enhancing synergies among the business segments, and facilitating the realisation of the Company's overall strategic objectives.

Under strategic guidance, the Group maintained a good development momentum in 2023, ensured relatively stable performance, and presented a number of operational highlights: The on-board PIS business of the intelligent passenger information services business segment was recognised by an industry association; it was ranked first in terms of market share in China for the eighth consecutive year; the value of new overseas contracts doubled year on year, reflecting strong growth. The data and integration services business signed two large projects in Tianjin and Taiyuan, increasing its market influence. In civil communication, projects from edge cloud orders were gradually carried out, further expanding the boundaries of the intelligent infrastructure business. The national demonstration project of the new-generation intelligent train operation system and platform passed the acceptance check. The Group's subsidiary Huaqi Intelligent successfully introduced an external strategic investor, Suzhou Rail Transit, making a breakthrough in the field of capital operation. Overall, the Group fully implemented the strategic plan set by the Board and achieved good results in operation and management in 2023.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE

The Group has been paying close attention to environmental, social and governance (ESG) themes, and believes that a sound ESG framework is conducive to the sustainable development of the Company and benefits its stakeholders.

Since 2022, the Group has benchmarked the six United Nations' Sustainable Development Goals (SDGs), namely: good health and well-being; good work and economic growth; industry, innovation and infrastructure; reduced inequalities; sustainable cities and communities; and climate action, highlighting its development objectives by setting six ESG medium- and long-term ESG goals. During the year, the Group, guided by the medium- and long-term ESG goals, carried out operations in its principal business and continuously increased the integration of ESG concepts by improving the institutional safeguards, establishing an efficient communication mechanism, and dynamically tracking the realisation of the goals. The Group adhered to a high level of business ethics and incorporated ESG concepts such as low carbon and environmental protection, innovation-driven development and safe production into its principal business, while at the same time paying great attention to the quality of its products, safeguarding the rights and interests of its employees, and fulfilling its social responsibilities. In 2023, the Group was included in the Beijing State-controlled Listed Companies ESG Pioneer 30 Index and was named as an outstanding case in terms of comprehensive strength. Its corporate responsibility for sustainable development was recognised.

RESULTS AND DIVIDENDS

In 2023, the Group recorded revenue of approximately HK$1,637.5 million, and the profit attributable to equity shareholders amounted to approximately HK$171.0 million. The Board recommended the payment of a dividend of HK$0.025 per share for FY2023. The total amount of dividend will amount to approximately HK$52.4 million with a dividend payout ratio of 30.2%, subject to the approval at the 2024 AGM. The Group has declared cash dividends for the seventh consecutive year, fulfilling its commitment to the dividend payout policy and sharing the development fruits of the Company with its Shareholders.

BUSINESS PROSPECTS

The year 2024 is a key year for the Group to accelerate the execution of its strategic plan for 2021-2025, when it will face opportunities and challenges and fulfill its mission and responsibility. The Board will lead the Company to the established strategic plan, eye the new development trends of intelligentisation, low carbonisation and autonomation, fulfill the mission of "empowering rail transportation with intelligent technology", steadily promote its high-quality development, provide more high-quality products and services for the community and users, and create returns and value for Shareholders.

APPRECIATION

On behalf of the Board, I would like to express my appreciation to all the employees and management team for their continuous efforts and outstanding contributions to the steady development of the Group and to our customers, partners and peers as well as our Shareholders and investors for their long-term strong support and trust.

We will continue to work hard and strive to work together to create a better future!

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Liu Yu
Chief Executive Officer

MARKET AND BUSINESS ENVIRONMENT

In 2023, the investment in the construction of rail transportation in Mainland China in general reflected a better trend of recovery and growth, and the passenger flow rebounded. In terms of investment amount, fixed-asset in national railway construction investment amounted to approximately RMB764.5 billion in 2023, representing a year-on-year growth of approximately 7.5%. The aggregate passenger volume by railway was approximately 3.68 billion during FY2023, representing a year-on-year increase of approximately 128.8%, according to the data of China State Railway Group. According to the data of China Association of Metros, rail transportation plans in five cities in Mainland China were approved in 2023, with an increase in the approved mileage by approximately 360% year on year to approximately 592.3 kilometers. Three additional cities, namely Honghezhou, Chuzhou and Xuchang, put their rail transit lines into service, with an additional mileage of approximately 884.6 kilometres. According to preliminary estimates, the total passenger volume via the urban rail transit system in Mainland China will exceed approximately 29 billion trips in 2023, which would be a new record high. There was also favourable news for rail transportation in Beijing, which is highly related to the Group's business. The third phase of the rail line construction plan in the city was officially approved by the National Development and Reform Commission, which contains 11 construction projects with a total mileage of more than 200 kilometres and a total planned investment amount of approximately RMB180 billion. In 2023, Beijing's rail transit network hit a total passenger volume of approximately 3.45 billion, with an average daily passenger volume of approximately 9.45 million, a year-on-year increase of approximately 53%.

The Group's businesses are highly related to the development of the rail transit industry. Overall, although the increase in passenger flows in the rail transit industry reflects the recovery of the industry, long-term investment and construction cycle in the industry and the market demand related to the Group's core businesses did not pick up the same pace as assumed, it will take some time for the transmission of demand of the Group's core businesses to be relayed through the industry chain. In the meantime, there has been an increasing need for cost reduction and efficiency improvement among customers in recent years. Consequently, this has, to a certain extent, exerted pressure on the Group's profit margin. Furthermore, competition intensified as local rail operators and construction units tend to choose local service providers due to tightening in procurement scale.

BUSINESS OVERVIEW

Taking into account the relatively less than satisfactory start to the first half of 2023, the Group actively explored domestic and overseas markets and accelerated the construction and delivery of projects to keep its overall operating results stable as compared to the corresponding period of the previous year. Considering that the average exchange rate of Renminbi to Hong Kong dollars in 2023 was approximately 1 to 1.11, down approximately 4% from approximately 1 to 1.16 as compared to the same period of last year, some of the Group's financial indicators in Hong Kong dollars declined slightly as compared to the corresponding period of the previous year due to the impact of exchange rate. In 2023, the Group recorded revenue of approximately HK$1,637.2 million, which remained stable as compared with the same period last year (equivalent to approximately RMB1,475.3 million, representing a year-on-year increase of approximately 4.3% as compared with the revenue recorded in Renminbi during the same period last year). Gross profit margin was approximately 36.1%, representing a year-on-year increase of approximately 0.3 percentage point. Profit attributable to equity shareholders amounted to approximately HK$174.3 million, representing a year-on-year decrease of approximately 2.8% (equivalent to approximately RMB157.1 million, representing a year-on-year increase of approximately 1.6% as compared with the profit attributable to equity shareholders in Renminbi during the same period last year).

In 2023, the Group adhered to its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets", and stepped up its efforts in market expansion. The Group has successfully entered Dongguan, Meishan and other markets in Mainland China, and Israel's Tel Aviv, Malaysia's Johor Bahru and South Korea in overseas market. It expanded its business footprint to a total of 54 cities in Mainland China and 26 cities in 16 overseas countries and regions. As at the end of 2023, the Group's orders on hand amounted to approximately HK$2.53 billion, which remained stable as compared with the same period last year. Such orders on hand ensures a stable source of future revenue.

FINANCIAL REVIEW

Revenue

The Group recorded a revenue of approximately HK$1,637.2 million in FY2023, which remained relatively stable as compared with FY2022 (FY2022: approximately HK$1,638.9 million). After adjustments were made to its organisational structure, the Group's revenue was mainly derived from the intelligent passenger information services business, the data and integration services business and the intelligent infrastructure business, which was approximately HK$770.9 million, HK$577.4 million and HK$288.8 million, respectively, accounting for approximately 47.1%, 35.3% and 17.6%, respectively, for FY2023.

Revenue derived from the intelligent passenger information services business for FY2023 was approximately HK$770.9 million, representing a year-on-year increase of approximately HK$28.7 million or approximately 3.9%. During the Period, revenue derived from key projects including Beijing Metro Line 13 and Chengdu Metro Line 30, while revenue from high-speed railway projects increased.

Revenue derived from the data and integration services business for the Period was approximately HK$577.4 million, representing a year-on-year decrease of approximately HK$84.6 million or approximately 12.8%. Such decrease was basically due to the completion of Shaoxing Metro Line 1 project, which has contributed HK$200 million in FY2022, and that the key projects that had reached revenue recognition condition in the Period (e.g. Beijing Metro Network's operation and maintenance project of productivity system, Zhengzhou Metro Line 10's AFC project, and the Beijing Metro Line 12's AFC project) were generally smaller in size.

Revenue derived from the intelligent infrastructure business for FY2023 was approximately HK$288.8 million, representing a year-on-year increase of approximately HK$54.1 million or approximately 23.0%. The increase in revenue derived from this segment was due to the continued development of the "intelligent+" business, with revenue of approximately HK$21.1 million recognised from the Bishan-Tongliang line's weak current system, and the recognition of revenue of HK$17.3 million from the IoT card business during FY2023.

By geographical region, the Group mainly operates its businesses in Mainland China. For FY2023, the Group recorded revenue of approximately HK$1,561.7 million in Mainland China, which remained stable as compared to the corresponding period last year (FY2022: approximately HK$1,567.7 million). The Group recorded a revenue of approximately HK$24.7 million from Hong Kong during the Period, representing a year-on-year decrease of approximately HK$11.3 million or approximately 31.4%, which was attributable to the decrease in spare parts or service sales items while income from operation and maintenance increased. Meanwhile, the Group recorded a revenue of approximately HK$50.8 million in its overseas markets, representing a year-on-year increase of approximately HK$15.5 million or approximately 44.1% including Mumbai Metro Lines 2 and 7 and the Pune Metro project. In addition, the Group started to recognise revenue from some of its other overseas projects, such as Pune Metro Line 3 and the Tel Aviv Purple Line, which are in cooperation with Alstom S.A., Construcciones y Auxiliar de Ferrocarriles, S.A. ("**CAF**") and other manufacturers.

Cost of sales and gross profit

The Group's cost of sales amounted to approximately HK$1,046.2 million in FY2023, representing a decrease of approximately HK$6.5 million or approximately 0.6% from FY2022. The Group's gross profit was approximately HK$591.0 million in FY2023, representing an increase of approximately HK$4.7 million or approximately 0.8% from FY2022. As data and integration services provided to Shaoxing Metro Line 1, which had a lower gross profit margin, was basically completed in FY2022, the gross profit margin rebounded in FY2023. Meanwhile, the revenue and cost of sales of hardware items in the intelligent passenger information services business segment increased, resulting in a decrease in the gross profit of such segment. In FY2023 the Group's overall gross profit margin increased steadily as compared to the same period last year.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses for FY2023 amounted to approximately HK$266.2 million, representing a decrease of approximately HK$15.0 million or approximately 5.4% from FY2022 (equivalent to approximately 1.1% year-on-year decrease in Renminbi). This was mainly due to the reduction in relative costs resulting from the Group's cost reduction and efficiency enhancement measures during the Period.

R&D expenses

In 2023, the Group's R&D expenses amounted to approximately HK$170.8 million, representing a year-on-year increase of approximately 7.0%. This was mainly due to the increased efforts in research and development of basic topics and innovative products, with the further optimisation of the Group's research and development system during the Period.

Share of results of joint ventures and associates

The Group's investment returns decreased by approximately HK$31.3 million or approximately 59.1% year-on-year to approximately HK$21.6 million in FY2023. Such decrease was mainly due to the decrease in profit contribution from Capital Metro and Metro Technology as compared to FY2022, and the lower-than-expected development of some of the investment projects of Cornerstone Lianying. Therefore, the overall investment return decreased as compared to the corresponding period in FY2022.

Fair value changes in other financial assets

The Group recorded gains or losses on changes in fair value of approximately HK$7.5 million for FY2023. The change was mainly due to changes in the fair value of the Group's other financial assets, Youdao Technology and Cornerstone Huiying.

Profit attributable to equity shareholders of the Group

The profit attributable to equity shareholders of the Group was approximately HK$174.3 million in FY2023, representing a year-on-year decrease of approximately 2.8% (equivalent to approximately RMB157.1 million, representing a year-on-year increase of approximately 1.6%). Earnings per share were HK$0.083, decreasing by approximately 2.4% year-on-year (equivalent to approximately RMB0.075, representing a year-on-year increase of approximately 1.6%).

Liquidity, financial and capital resources

Capital structure

As at 31 December 2023, the Group's issued share capital consisted of 2,097,146,727 ordinary shares of HK$0.01 each (as at 31 December 2022: 2,097,146,727 ordinary shares of HK$0.01 each).

Cash position

As at 31 December 2023, the Group's cash and cash equivalents was approximately HK$697.1 million (as at 31 December 2022: approximately HK$808.7 million). During the Period, the Group repaid a part of its other borrowing and settled the payment for the acquisition of minority interests in Huaqi Intelligent pursuant to an equity transfer agreement entered into by the Group in December 2022.

Borrowings and pledged assets of the Group

As at 31 December 2023, the Group's borrowings were approximately HK$331.4 million (as at 31 December 2022: approximately HK$383.9 million), of which HK$255 million was derived from the borrowing from a subsidiary of BII, the Company's ultimate holding company, and the remaining was bank borrowings of approximately HK$76.4 million.

In respect of the Group's borrowings of HK$255 million, as at 31 December 2023, the rights and interests in 51% of the issued share capital of Great Legend Development Limited, a wholly-owned subsidiary of the Group, held by the Company were charged in favour of a subsidiary of BII, the ultimate holding company of the Company.

Working capital and gearing ratio

As at 31 December 2023, the Group had current assets of approximately HK$2,922.3 million (as at 31 December 2022: approximately HK$2,842.6 million), while its current liabilities were approximately HK$1,560.6 million (as at 31 December 2022: approximately HK$1,378.5 million), resulting in net current assets of approximately HK$1,361.7 million (as at 31 December 2022: approximately HK$1,464.1 million). As at 31 December 2023, the current ratio, calculated based on current assets divided by current liabilities, was approximately 1.9 (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 multiplied by 100%. As at 31 December 2023, the Group's gearing ratio was approximately 36.2% (as at 31 December 2022: approximately 39.8%).

Foreign exchange exposure

The Group has six main operating subsidiaries, with one established in Hong Kong and the remaining five registered in Mainland China. All of these subsidiaries earn revenue and incur cost in their local currencies. The Directors consider that the impact of foreign exchange exposure on the Group is minimal.

Contingent liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities (31 December 2022: nil).

BUSINESS ANALYSIS BY SEGMENT

In 2023, the Group established the new "3+2" business structure under the guidance of its strategic plan for 2021-2025. It focused on the three core businesses of intelligent passenger information services, data and integration services and intelligent infrastructure to enhance business resources efficiency, market competitiveness and service level in order to ensure a steady business development.

Intelligent Passenger Information Services Business

The intelligent passenger information services business provides hardware and software products and services in high-speed rail, intercity, urban and suburban railway, subway and other fields. Its main products include integrated PIS system, intelligent passenger services, intelligent operation and maintenance services of passenger information, integrated supervisory control system, smart card automated fare collection system and other products and solutions.

The Group's intelligent passenger information services business recorded revenue of approximately HK$770.9 million, representing a year-on-year increase of approximately HK$28.7 million or approximately 3.9%, and gross profit of approximately HK$294.6 million, representing a year-on-year decrease of approximately 13.0%, with gross profit margin of approximately 38.2%, a year-on-year decrease of approximately 7.4 percentage points from the previous year.

In 2023, the Group expanded its business territory in China and actively promoted the project delivery. It contributed to the opening of Jakarta-Bandung High-Speed Railway, the first high-speed railway in Southeast Asia, and the timely opening of several key Chinese projects, such as Suzhou Rail Transit Line 11. Meanwhile, the Group actively expanded into new markets and won new projects in key markets such as Shenzhen, Guangzhou and Suzhou, which enabled the Group to maintain its leading position in the industry. While overseas orders recorded a significant fold increase, the Group has also secured key projects in the Mainland market, including CRRC Qingdao Sifang Co., Ltd.'s Smart EMUs PIS System and the spare parts for the High-speed Rail PIS System, amounting to approximately RMB74.9 million, which is the result of its many years of deep understanding in the high-speed rail market. The Group won the bidding of Suzhou Metro Line 7's on-board PIS system project worth approximately RMB49.8 million, supporting the rapid development of urban rail transit in Suzhou. In terms of overseas market, the new orders in 2023 doubled compared to the previous year. The major key projects included CAF's Purple Line tram project in Israel, marking a new breakthrough in the cooperation with international manufacturers and broadening its business channels in international markets. It signed a PIS upgrading project for RS-1 18 trains of Delhi Metro valued at approximately RMB37.3 million, signifying the first breakthrough in a PIS upgrading project for old trains in Delhi, which pave way for the Group to seize opportunities in subsequent upgrading projects in India.

Data & Integration Services Business

The data and integration business has its eyes on the rail transit operation market, providing software and hardware products and services such as solutions like Automated Fare Collection System (AFC), AFC clearing center (ACC) and traffic control center (TCC), communication integration, and intelligent operation and maintenance management system in areas of intelligent rail transportation, intelligent operation and maintenance.

The Group's data and integration services business recorded a revenue of approximately HK$577.4 million, representing a year-on-year decrease of approximately HK$84.6 million, and gross profit of approximately HK$136.3 million, representing a year-on-year increase of approximately 10.6%, with gross profit margin of approximately 23.6%, representing a year-on-year increase of approximately 5.0 percentage points.

In 2023, the Group's data and integration services business proactively pushed forward the implementation of key projects to ensure that Beijing Metro Network's operation and maintenance project of productivity system, Zhengzhou Metro Line 10's AFC project, and Beijing Metro Line 12's AFC project completed warranty as scheduled. Additionally, it explored customer needs in the established markets and continued to develop its business territory outside of Beijing, with remarkable results achieved in Beijing, Tianjin, Taiyuan and other places. The key projects included the centralised procurement project for engineering communication, and office automation and guidance system of Beijing Metro Line 28, valued at approximately RMB110 million, which will bring stable revenue to the Group in the future; the equipment procurement and supply project of Tianjin Metro Line 7's AFC project valued at approximately RMB52.7 million, which is the first project of the Group's data and integration services business in Tianjin; the AFC system of the first phase of Taiyuan Rail Transit Line 1 valued at approximately RMB67.0 million, marking an important achievement of the Company's continuous efforts to expand its business territory outside of Beijing. In addition, other projects awarded include Phase II technological transformation project in the AFC system of Beijing's rail transit line, the security control platform of Beijing MTR, the operation and maintenance project of Wuhan Metro's asset system, Zhengzhou Metro Line 17's line center, the Phase IV safety inspection project of Chengdu's rail transit line, which will strengthen its influence and competitiveness in the domestic market.

Intelligent Infrastructure Business

The intelligent infrastructure business focuses on the investment and operation of civil communication transmission systems for Beijing's rail transportation. At the same time, it provides customers with "intelligent+" services such as intelligent construction sites, intelligent parks, intelligent hubs, intelligent utility tunnels and intelligent micro-centres.

Revenue derived from the intelligent infrastructure business for FY2023 was approximately HK$288.8 million, representing a year-on-year increase of approximately HK$54.1 million or approximately 23.0%. Gross profit amounted to approximately HK$160.1 million, representing a year-on-year increase of approximately 28.5%, and gross profit margin was approximately 55.4%, representing a year-on-year increase of approximately 2.3 percentage points.

In respect of the civil communications business in 2023, the Group completed the construction of supporting facilities and transmission system for civil communications in the northern section of Line 17 and entered into service agreements with three major carriers on the information transmission of 5G civil communications systems, which established the business model and ensured the stable returns of such civil communications business in the future. Moreover, the Group has preliminarily established the edge cloud business model by combining spatial resources of its equipment rooms in the Beijing Metro and the network bandwidth resources of the telecommunication carriers, resulting in an acquisition of contracts of 29 newly-built metro stations. The facilitation of resources of equipment room and telecom carriers' bandwidth in the Group's edge computing has provided customers with efficient and low-latency computing power. In future, the Group will try to establish in-depth cooperation with 2C Internet companies to enable the digital transformation of cities.

With regards to the "Intelligent+" business, the Group participated in the PPP+TOD ("Public-Private-Partnership" + "transit-oriented development") rail transportation project, namely Bishan-Tongliang line, Chongqing's suburban railway line, by providing LTE sub-system and intelligence services relating to integrated safety operation management platform. On the other hand, the Group will explore applications of intelligent products in integrated transport nodes through SmartTOD Technology to expand income source in future.

Investments Management

In 2023, the Group continued to optimise its industry presence and competitiveness in the ecosystem by finding potential investment initiatives on one hand, and focus on empowering investees in strategy, team-building, management model, product and services, etc. in the post-investment period on the other. During the Period, the Group streamline focused on capital operation efficiency and streamlining holding structure in its investees.

- Huaqi Intelligent, a non-wholly-owned subsidiary of the Group introduced an external strategic investor, i.e. Suzhou Rail Transit Group Co., Ltd. ("**Suzhou Rail Transit**"), by way of capital injection, through which it raised RMB100 million in return for approximately 7.35% of the enlarged equity interests in Huaqi Intelligent. This has further expanded the room for business development and accumulates momentum for future performance growth. Please refer to the announcement dated 8 August 2023 in relation to, among others, the deemed disposal of equity interests in Huaqi Intelligent for details.

- Capital Metro, the Group's joint venture, made significant progress in various projects. It actively pursued the reconstruction and expansion of the vehicle section of the Beijing Metro Airport Line, additional vehicle purchases, factory repairs projects and line operation and maintenance projects. Furthermore, Capital Metro focused on consolidating its existing business operations while developing value-added services such as advertising and retail and actively striving for the right to operate new lines outside of Beijing. Currently, Capital Metro has successfully obtained the operational rights for the Hangzhou-Shaoxing Line and Shaoxing Line 1. This achievement serves as a foundation for sustainable profitability in the future.

- On the basis of ensuring the stable operation of the electrical and mechanical equipment of the Beijing Subway Capital Airport Express, Metro Technology, a subsidiary of the Group, has successfully introduced the Company's intelligent equipment into the signalling system and power supply equipment of a number of projects, continuing to enhance the safety of subway operation.

- Ruubypay, the Group's other financial asset, continued to enhance its rail transit operation services, established in-depth cooperation in the QR code payment service business, and actively sought new growth areas in metro commercial operations. The Yitongxing APP developed by Ruubypay has accumulated approximately 38.1 million registered users, representing a year-on-year increase of approximately 5.3 million registered users. Its internet ticketing accounted for approximately 64% of the average daily traffic through in Beijing Metro.

- Youdao Technology, a company that the Group invested in, has strengthened its customer relationships through the "integration of research, production and sales" and connected the upstream and downstream resources of enterprise education in the transportation industry. It has been selected as an education practice and science popularisation base of transportation engineering in China and a national youth science and technology educators' training and practice base. It has successfully organised a number of competitions, such as the national industry vocational skills competition and the railway signalling equipment maintenance skills competition for the BRICS Skills Competition 2023.

- SmartTOD Technology, an associate of the Group, has been established. The Group will use it as a platform for the development of rail transportation intelligence business, smart city industry development and novel digital infrastructure construction in the integrated transportation hub scenarios. Please refer to the announcement dated 7 June 2023 in relation to, among others, the establishment of SmartTOD Technology for details. Upon approval of the administration for industry and commerce, the name of the associate company was confirmed to be SmartTOD Technology.

- Cornerstone Lianying, has entered the exit period. Profit recognised in several Investment projects after exit. Meanwhile, through participating in the investment of Cornerstone Huiying, the Group kept a close eye on the incubated companies related to rail transit.

R&D and Innovation

The Group adheres to the core strategic concept of "R&D + Innovation", focuses on the development of new quality productive forces, keeps abreast of the trend of technological development in the industry, and makes breakthroughs in proprietary core technologies. The Group has also formulated synergistic development strategies to actively promote internal scientific research resources, which effectively promotes the close fusion of technological innovation and management innovation, and thus significantly enhances its innovation capability and R&D efficiency.

In 2023, leveraging key subjects and product breakthroughs, the Group carried out R&D and innovation related works in a systematic way.

In terms of management innovation, the Group and its subsidiaries have formed a two-tier R&D system, in which the Group's research institute is dedicated to the R&D of unified technologies, common platforms and forward-looking technologies, while its subsidiaries focus on the R&D of engineering applications and integrated innovations. The two form a synergy to jointly promote the efficient assimilation of technology into application scenarios to achieve industrialisation. In addition, on the basis of promoting internal knowledge sharing, the Group actively participated in and hosted important exhibitions and sub-forums of summits in the industry, such as the International Metro Transit Exhibition & Forum (Beijing-Qingdao) (北京-青島國際城市軌道交通展覽會) and the Greater Bay Area International Rail Transit Industry Development Forum and Exhibition in Guangzhou (廣州大灣區國際軌道交通產業發展論壇), which demonstrated the Group's influence in the industry.

In terms of research and development, the Group mastered and monitored the actual progress of scientific research projects to ensure that they are carried out in strict accordance with the established schedules. During the year, the Group focused on participating in and promoting the construction of the national demonstration project of the new-generation intelligent train operation system and platform, and innovatively developed the basic platform based on the industrial Internet and the on-board edge cloud platform. The two platforms provide support for the effective promotion of cloud technology in the industry, and provide a solid guarantee for the promotion and evolution of the Company's new products.

As far as technology application is concerned, efforts were made around the Company's core business to develop three types of "digital intelligence"– related unified technologies and platforms, including cloud computing, big data and artificial intelligence, so as to accumulate the results and share them openly. In the field of cloud computing, a multi-cloud integrated management platform was set up, which achieves multi-cloud, multi-environment unified management, enables the Group to be free from binding by cloud vendors, and enhances the enterprise cloud operation capabilities. It created a multidisciplinary cloud simulation test tool for rail transportation, guaranteeing the test of moving professional systems to the cloud. In the field of big data, it enhanced data mapping and metadata acquisition and processing capabilities in all aspects, and unified the management of data access, governance and services to provide a good foundation for data. It provided industry data analysis methods and prefabricated industry models to make data understandable and easy to understand for users, and thus solves the long-standing problem of users not fully understanding the data in data analysis. Flexible data analysis visualisation and industry data mining tools have been put in place to realise the in-depth use of data by users and address the convenience issues in the use of data assets. In the field of artificial intelligence technology, the Group has also been at the forefront of the industry. On the one hand, with the help of computer vision analysis technology, it completed the optimisation and iterative development of key intelligent algorithms such as intelligent analysis of pantograph and passenger behavior identification, which have been widely used in the intelligent EMUs, CRH EMUs and other vehicles of CRRC Qingdao Sifang Co., Ltd., CRRC Nanjing Puzhen Co., Ltd., CRRC Changchun Railway Vehicles Co., Ltd. and Beijing Subway Rolling Stock Equipment Co., Ltd.. The pantograph intelligent analysis algorithm has been installed in 127 intelligent EMUs, with a share of more than 80% in the market, which has greatly improved the operational efficiency and safety of the railway transportation and optimised passengers' mobility experience. On the other hand, the Group successfully developed the virtual call customer service demo which integrates the big model technology of rail transportation. The demo can understand and generate the language of rail transportation industry, and interact with users in a natural way. The product will be applied in Beijing's rail transportation lines and other scenes, so as to reduce customers' investment cost in the provision of manual customer service.

In 2023, the Group spent approximately HK$170.8 million on R&D, representing a year-on-year increase of approximately 7.0%. During FY2023, it obtained 20 patents (120 in aggregate) and 56 software copyrights (568 in aggregate). The Group participated in the formulation of 8 national, local and organisation standards, among which a national standard of the quality acceptance of the AFC system in urban rail transportation has been released. Its products and scientific research achievements have won many important awards. The above achievements also demonstrated that the Group's ability in technological innovation and the transformation of technological achievements was widely recognised, which further accumulated its innovative development achievements.

BUSINESS PROSPECTS

Stable and improving macro environment

2024 is going to be a critical year for China to accomplish its objectives and tasks in its 14th Five-Year Plan. The economic and social objectives and policy orientation of consolidating and enhancing the upturn in the economy remains unchanged. Under the complex and ever changing environment, restoring and expanding demand remains the key to consolidating the steady development of China's economy. In the 2024 government work report, it was clearly stated that the positive fiscal policy should be appropriately strengthened and improved in quality and efficiency and the construction of digital infrastructure should be appropriately advanced. As a major project with significant stimulating effect, the rail transportation industry still plays a pivotal role. The Group will see a new round of development opportunities because of its long-term deployment of digitisation-related business. Moreover, as an integral part of the new infrastructure, intelligent rail transportation is destined to see new technology and new model application being applied.

New Opportunities for Industry Development

In 2023, the approved mileage set out in construction plans of rail transportation increased as compared to the previous year, while the passenger flow of rail transportation continued to recover, which shows that the future steady development of the industry will still be supported by solid demand. Meanwhile, as large scale construction period passes, equipment in the industry will enter an overhaul or replacement cycle. In view of recent government policies on equipment upgrading in key sectors of the industry, emphasis will be gradually placed on both construction and operation instead of merely construction. The after sales market, which mainly focuses on repair, maintenance and upgrading, is expected to pick up momentum. Moreover, the development of the rail transit industry towards intelligentisation and low-carbonisation has gradually become a consensus. Passengers pay more attention to safe, comfortable, convenient mobility experience. Led by front-end demands, 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 more market demand.

Continuous Optimisation of Strategic Initiatives

In 2023, the Group proposed targeted optimisation measures around the strategic plan for 2021-2025. In 2024, the Group will continue to maintain its strategic focus and integrate strategic optimisation and upgrading initiatives to promote the specialised development of intelligent passenger information services, data and integration services and intelligent infrastructure business segments in accordance with the "3+2" pattern. It will strive to develop intelligent, low-carbon and autonomous products, and diversify its products in the rail transportation industry through horizontal expansion of products. On the basis of consolidating the advantages of traditional products, the Group will continue to enrich the product portfolio, enter into peripheral industries, and extend its business footprint. The Group will seize opportunity brought about by the release of favourable national policies and ride on its leading position in the railway industry to enlarge its overseas presence. The Group will also leverage the opportunity of the maintenance cycle in the domestic rail transportation sector to turn the industry demand into a new growth driver. Being market-oriented, the Group will make precise allocation of resources like market, capital and manpower to cater to customer demand, accelerate the transformation of scientific research and innovation results, strengthen compliance management, brand empowerment and other functions to enhance its core competitiveness and solidify the foundation of high-quality development.

MATERIAL ACQUISITIONS OR DISPOSALS DURING FY2023

Reference is made to the announcement of the Company dated 8 August 2023 in relation to the deemed disposal of equity interest of Huaqi Intelligent (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 (鍾華)) comprise independent third parties, Mr. Zhong Hua (鍾華), 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 Group Co., Ltd.* (蘇州市軌道交通集團有限公司) ("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 for details.

Save as disclosed, there were no other material acquisitions or disposals of subsidiaries, associates and joint ventures during FY2023.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS

Beijing Metro was established on 15 February 2016, and its equity interest was held by the Company and Beijing Subway Operation as to 49% and 51%, respectively. Its registered capital was RMB500 million of which RMB245.0 million was contributed by the Company and RMB255.0 million was contributed by Beijing Subway Operation which is 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 non-public company whose quoted market price is not available. As of 31 December 2023, the carrying amounts of Beijing Metro in the Group's consolidated financial statements by using equity method is HK$245,141,000, accounting for approximately 5.44% of the Group's total assets as at 31 December 2023. The Company did not receive any realised and unrealised gain or loss or any dividends from Beijing Metro. In the future, the Group will implement investment strategies based on the actual funding and operation needs of Beijing Metro.

Save as disclosed, there were no other significant investments held or other future plans for material investments or capital assets during FY2023.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed a total of 647 employees (including the executive Directors) (31 December 2022: 744). The total staff costs, including Directors' remuneration, were approximately HK$297 million (FY2022: approximately HK$323 million). The reason for the decrease was mainly due to the Group's continuous optimisation of its personnel structure.

The Group reviews remuneration package annually with reference to the prevailing market conditions and staff's working performance, qualification, and experience. In addition to basic remuneration, the Group also pays bonus based on its performance and staff's contribution to the Group. Other benefits include contribution to social insurance scheme in China, contribution to the MPF Scheme and insurances in Hong Kong. The Group also organised professional and vocational trainings for its employees.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the Shareholders, the Board recommended the declaration of a final dividend of HK$0.025 per share for FY2023 (FY2022: HK$0.026 per share). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2024, subject to the approval of the shareholders of the Company at the 2024 AGM to be held on 26 June 2024. It is expected that the final dividend will be paid on or before Friday, 20 September 2024.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

Save for the events described under the paragraph headed "Final dividend" in this annual report, there is no other material events after the reporting period as at the date of this report.

RISK FACTOR ANALYSIS

RISK FROM ECONOMIC VOLATILITY

In 2023, China's national economy rebounded, but the external environment is complex and severe. The economic development still faced some challenges. The Group's core business is closely related to the macro-economy and industrial investment policies, and any fluctuation in the macro-economy will, to a certain extent, cause uncertainty for the Company's operation and development. The Group will enhance its research on governmental and industrial policies. Specifically, it will keep a close eye on policy changes to adjust its response strategies in a timely manner, and enhance its ability to resist risks, so as to reduce the adverse impact of uncertain macro environment risks on the Group's operations.

RISK FROM MARKET COMPETITION

The Group's revenue is highly dependent on the development of industries such as rail transportation. The slowdown in the rail transportation market and the increasingly fierce competition in the domestic market may result in a decline in business share. In the meantime, the market price of raw materials is likely to fluctuate, which may result in increased difficulty in controlling the cost of products and a lack of price competitiveness and in turn lead to a decline in revenues and profits. The Group will pay close attention to the industry development information, strengthen the supply chain management and control the business costs to further enhance the core competitiveness of the business.

RISK FROM TECHNOLOGICAL TRANSFORMATION

In recent years, cutting-edge technologies including big data, cloud computing and artificial intelligence have been integrated and applied in the rail transportation industry. In the context of rapid technological development, if the Group, as a technology-driven enterprise, makes a wrong judgment on the trend of technological development or is unable to launch innovative products, it will be faced with non-proportional input and output and difficulty in iterative upgrading of products, which will in turn lead to the impact on the technical advantages of existing products. The Group will continue to strengthen the tracking, research and analysis of advanced ideas and cutting-edge technologies in the industry, maintain a high level of investment in R&D, and promote the transformation of R&D achievements in emerging technologies and strategic products, in order to enhance its core technology level.

INVESTOR RELATIONS

INVESTOR RELATIONS

Communication with investors

Over the past year, we have maintained close contact with investors, continuously communicating with them through online meetings, phone calls, face-to-face conversations, and other means, and answering questions about the Group's strategic direction, business development, prospects, and other concerns at any time.

In 2023, the Group has communicated with investors and analysts more than 50 times.

Channels to gain information

The Company ensures that all the investors can have access to the Company's important information equally, accurately and in time through its website. Investors can gain details about corporate governance, information disclosure, stock information, roadshow and investment information, investor liaison, etc. on the Investor Relations section of the Company's website. They can also easily search and obtain annual reports together with other company news. The specific communication methods are detailed in paragraphs, including "Investor Relations and Communication with Shareholders" and "Shareholders' Rights" in the Corporate Governance Report of this annual report.

Financial summary for 2024

2023 annual results announcement	28 March 2024
2024 AGM	26 June 2024
Closing of register of members (in relation to the 2024 AGM)	20 June 2024 to 26 June 2024 (both days inclusive)
Closing of register of members (in relation to dividend distribution)	3 July 2024 to 5 July 2024 (both days inclusive)
Distribution of final dividend for 2023	HK$52,428,668.18
2024 interim results announcement	August 2024
End of financial year	31 December

Dividend performance

Dividend per Share

Final dividend per ordinary Share for FY2021	HK$0.027 per Share
Final dividend per ordinary Share for FY2022	HK$0.026 per Share
Final dividend per ordinary Share for FY2023	HK$0.025 per Share

Dividend policy

After the Board took comprehensive consideration of strategic planning, business expansion, operation management, dividend payout and other factors, the Group has adopted a dividend policy which it believes is a sustainable, stable and scientific return mechanism for Shareholders. The mid-to-long-term dividend payout ratio will not be lower than 30% in principle, which will provide Shareholders with tangible returns. The specific dividend allocation will depend on the annual results, cash flows and other factors, subject to the approval of Shareholders at the relevant annual general meeting.

Shareholding as of 31 December 2023

Ordinary Shares

Total number of issued Shares	2,097,146,727

Market value

As of 31 December 2023, HK$534.77 million (closing price as at 29 December 2023: HK$0.255)

Key ratios

P/E ratio***** (Market Price per Common Share/Earnings per Common Share)	3.07
P/B ratio* (Market Price per Common Share/Net Assets per Common Share)	0.18
Net profit margin (Profit for the year/Revenue × 100%)	10.65%
Return on equity (Profit for the year/Average total equity × 100%)	6.60%
Dividend yield* (Dividend per Common Share/Market price per Common Share × 100%)	9.80%

* According to the closing price on 29 December 2023

Stock information

Stock code

The Stock Exchange	1522
Reuters	1522.HK
Bloomberg	1522 HK
ISIN	KYG1267V1005

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

LIU Yu (劉瑜), Mr. Liu, aged 50, joined the Group in May 2013 and was appointed as Vice President of the Group in July 2014. He was appointed as an executive Director on 30 November 2022, and was appointed as Chief Executive Officer and member of the Environment, Social and Governance ("**ESG**") Committee on 21 March 2023.

From June 1996 to April 2001, Mr. Liu served as project manager of the Intelligent Transportation Division of Tsinghua Unigroup Co., Ltd. From April 2001 to July 2005, Mr. Liu served as project manager of the Urban Intelligent Transportation Division of BOCO Group Co., Ltd. From July 2005 to May 2013, at Metro Network Command Centre (TCC), Mr. Liu has served as manager of Project Department, head of TCC Technical Workshop, deputy director of Technical Engineering Department, manager of Information Centre Project Department and Deputy Chief Engineer. Mr. Liu served as general manager of BII-TTBJ from October 2014 to November 2021, as chairman of the board of BII-TTBJ from February 2019 to January 2024, as director and deputy general manager of BII Zhongfu from August 2019 to February 2021, and as chairman of the board of Litmus from December 2019 to December 2021. Mr. Liu has served as deputy general manager of BII-TDBJ since March 2021, as director of BII-TSHK since April 2021, 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.

In June 2008, Mr. Liu obtained a master's degree in transportation planning and management from Beijing University of Technology. In June 2022, Mr. Liu was qualified as Senior Engineer approved by Senior Engineer Qualification Review Committee of Engineering and Technology Series of Chinese Academy of Sciences (中國科學院工程技術系列高級工程師任職資格評審委員會).

NON-EXECUTIVE DIRECTORS

GUAN Jifa (關繼發), Mr. Guan, aged 58, was appointed as a non-executive Director on 28 October 2015, and was appointed as the as chairman of the Board and Chairman of the Nomination Committee from 28 February 2017 to 14 December 2018. He has served as member of the Remuneration Committee since 30 March 2020, and was appointed as Chairman of the Board, Chairman of the Nomination Committee and Chairman of the ESG Committee on 30 November 2022.

From July 1987 to August 1992, Mr. Guan worked at the Heilongjiang Metallurgical Design and Planning Institute (黑龍江冶金設計規劃院) as an Engineer. From June 1994 to April 2005, Mr. Guan worked at Beijing Urban Construction No. 3 Development Co., Ltd (北京城建三建設發展有限公司) as a project manager and subsequently served as a deputy general manager. From April 2005 to January 2008, Mr. Guan acted as the deputy general manager and subsequently the general manager of Beijing Subway Construction Co., Ltd (北京地下鐵道建設公司). Mr. Guan served as the chairman of Beijing Jing Chuang Investment Ltd. (北京京創投資有限公司) from January 2008 to March 2010. Since March 2010, Mr. Guan has successively served as general manager of the Land Development Department of BII, the ultimate holding company of the Company, assistant to general manager of BII, and now serves as deputy general manager of BII. Mr. Guan also served as a non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (北京城建設計發展集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1599) from January 2016 to March 2022. He served as the director of Capital Metro from February 2016 to February 2017. Mr. Guan was appointed as the chairman of Suzhou Huaqi Intelligent Technology Co., Ltd. (蘇州華啟智能科技有限公司) from 28 February 2019 to 13 June 2022. He was appointed as the chairman of Shanghai Oriental Maritime Engineering Technology Co., Ltd. (上海東方海事工程技術有限公司) with effect from December 2020, and he was appointed as a non-executive director of Hua Xia Bank Co., Limited (華夏銀行股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600015.SH) with effect from 8 October 2022.

Mr. Guan graduated from Xi'an Institute of Metallurgy and Architecture (西安冶金建築學院) (now known as Xi'an University of Architecture and Technology) with a bachelor's degree in engineering in July 1987. He had taken a post-graduate course in the International Business School of the University of International Business and Economics from March 2002 to August 2004. He obtained a doctorate's degree in engineering from Xi'an University of Architecture and Technology in December 2008. In September 1999, Mr. Guan was qualified as Senior Engineer approved by Beijing Senior Specialised Technique Qualification Assessment Committee (北京市高級專業技術職務評審委員會). In July 2019, Mr. Guan obtained the qualification of Senior Economist issued by Beijing Senior Professional and Technical Qualification Assessment Committee (北京市高級專業技術資格評審委員會).

SUN Fang (孫方), Ms. Sun, aged 50, was appointed as a non-executive Director on 27 October 2022.

From August 2007 to November 2016, Ms. Sun served as Deputy General Manager and Executive Deputy General Manager of Metro Network. From November 2016 to February 2020, Ms. Sun served as Deputy Secretary of the Party Branch and Executive Deputy General Manager of Metro Network. From February 2020 to November 2023, Ms. Sun served as Deputy Secretary of the Party Branch and General Manager of Metro Network. Since November 2023, Ms. Sun has served as Secretary of the Party Branch and chairman of Ruubypay.

Ms. Sun obtained a bachelor's degree in Engineering (transportation) from Beijing Jiaotong University (北京交通大學) in July 1996. In October 2007, she was qualified as Senior Engineer in general layout and transportation specialty (總圖運輸專業) approved by Beijing Senior Specialised Technique Qualification Assessment Committee. In December 2022, she was qualified as Senior Engineer in Urban Rail Transit specialty (城市軌道運輸專業) approved by Beijing Senior Professional Title Assessment Committee.

CAO Mingda (曹明達), Mr. Cao, aged 32, was appointed as a non-executive Director on 11 April 2022.

From May 2016 to March 2017, Mr. Cao served as the operations manager of Beijing En'an Futong Technology Co., Ltd. (北京恩安付通科技有限公司). Mr. Cao has been the business manager of Ruubypay since March 2017, and the director and deputy general manager of Dalian Yixing Technology Co., Ltd. (大連易行科技有限公司) since October 2018. Mr. Cao also served as a supervisor of Beijing Maglihe Liquor Trade Co., Ltd. (北京瑪格麗河酒業商貿有限公司), as director of Shenyang Metro Technology Co., Ltd. (瀋陽地鐵科技有限公司) since April 2021, as the director of Hohhot Metro Technology Development Co., Ltd.* (呼和浩特地鐵科技發展有限公司) was September 2022, as the chairman of BII-TDBJ since November 2022, as the director of Metro Technology since August 2023 and as the director of Capital Metro since August 2023.

Mr. Cao obtained a bachelor's degree in Commerce (Finance) at Curtin University in Australia in January 2014 and a master's degree in Business Information Systems from School of Information Technology, Monash University in May 2016.

HOU Weiwei (侯薇薇), Ms. Hou, aged 41, was appointed as a non-executive Director on 29 June 2022.

From July 2010 to April 2018, Ms. Hou served as Director of Financing Planning Department, senior project manager, Assistant to general manager, and deputy general manager of BII. From April 2018 to June 2020, Ms. Hou served as deputy general manager of Beijing Jiuzhou Yi Gui Environmental Technology Co., Ltd.,* (北京九州一軌環境科技股份有限公司) and from November 2019 to June 2020, she also served as secretary of the board. From June 2020 to May 2023, Ms. Hou served as deputy general manager of investment and development headquarters of BII. From August 2020 to September 2021, she served as deputy director of Finance and financing department of China Xiongan Group Co., Ltd.* (中國雄安集團有限公司). Since May 2023, Ms. Hou has served 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). Ms. Hou was also appointed as director of Beijing Beijiao New Energy Technology Co., Ltd.* (北京北交新能科技有限公司董事) in April 2022, as director of Beijing Rail Transit Technology and Equipment Group Co., Ltd. in June 2022, as director of Beijing Information Infrastructure Construction Co., Ltd.* (北京信息基礎設施建設股份有限公司) in August 2022, as director of Beijing Bode Transportation Equipment Co., Ltd.* (北京博得交通設備有限公司) in January 2023, and as 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 June 2023.

Ms. Hou obtained a bachelor's degree and a master's degree in economics from Tianjin University of Finance and Economics in July 2005 and June 2009, respectively. In October 2017, Ms. Hou was qualified as Senior Economist approved by Beijing Senior Professional and Technical Qualification Assessment Committee.

INDEPENDENT NON-EXECUTIVE DIRECTORS

LUO Zhenbang *(CPA)* (羅振邦), Mr. Luo, aged 58, was appointed as an independent non-executive Director on 13 November 2012. He is also the chairman of the Audit Committee and was appointed as the member of the ESG Committee on 29 November 2021.

Mr. Luo has over 32 years' experience in accounting, auditing and financial management and is a Chinese Certified Public Accountant, Certified Tax Agent, Certified Public Valuer and Certified Accountant in securities and futures industry. Mr. Luo has extensive experience in the audit of listed companies in various sectors and provides business consultation services in corporate restructuring and strategic planning for initial public offerings and assets and debts restructuring. Mr. Luo had been the deputy general manager of Zhong Zhou Certified Public Accountants and Baker Tilly China Certified Public Accountants. He was an expert supervisor of China Cinda Asset Management Co., Ltd. and China Great Wall Asset Management Corporation. Mr. Luo had served as an independent director of several listed companies in the PRC, including Long March Vehicle Technology Company Limited (now known as China Aerospace Times Electronics Company Limited) (stock code: 600879) and AVIC Heavy Machinery Company Limited (stock code: 600765), each a company listed on the Shanghai Stock Exchange; Ning Xia Orient Tantalum Industry Company Limited (stock code: 000962), Wuzhong Instrument Company Limited (now known as Ningxia Yinxing Energy Company Limited) (stock code: 000862), Ningxia Zhongyin Cashmere Company Limited (stock code: 000982), Xinjiang Goldwind Science & Technology Co., Ltd.* ("**Goldwind Science & Technology**") (stock code: 002202), Digital China Information Service Company Ltd. (stock code: 000555), each a company listed on the Shenzhen Stock Exchange. Mr. Luo had also served as an independent non-executive director of Goldwind Science & Technology (stock code: 2208) from June 2013 to June 2019, as an independent non-executive director of Glory Health Industry Limited (formerly known as Guorui Properties Limited) (stock code: 2329) from July 2013 to June 2023, and as an independent non-executive director of Cowell e Holdings Inc. (stock code: 1415) from January 2021 to July 2021, each a company listed on the Main Board of the Stock Exchange. Mr. Luo has been the independent non-executive director of China Aerospace International Holdings Limited (stock code: 31) since December 2004. Mr. Luo had also served as a member of the internal audit committee of Northeast Securities Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 000686) from October 2002 to May 2018. Mr. Luo is the director and managing partner of BDO China Shu Lun Pan Certified Public Accountants LLP.

Mr. Luo graduated from the School of Business of Lanzhou in 1991 majoring in enterprise management. From September 2005 to July 2007, Mr. Luo took a master's degree course in management (technology and innovation) in Tsinghua University jointly organised by The Australian National University and Tsinghua University and obtained a master's degree in management from The Australian National University in July 2007.

HUANG Lixin (黃立新), Mr. Huang, aged 52, was appointed as an independent non-executive Director on 9 July 2014. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

Mr. Huang possessed extensive experience in the legal practice and had participated in numerous issues of securities, initial public offerings, post-listing financing as well as merger and acquisition projects over the past more than 25 years as a practising lawyer. Mr. Huang was an intern in the Department of Legal Affairs of the China Securities Regulatory Commission from November 1993 to February 1996. From August 1996 to July 2000, Mr. Huang was a PRC legal consultant at Herbert Smith LLP. From July 2001 to May 2007, Mr. Huang was appointed as a trainee solicitor and later a solicitor at Herbert Smith LLP. Mr. Huang is now a partner of Beijing Haiwen & Partners which he joined in May 2007.

Mr. Huang graduated from the Law School of Renmin University of China with a bachelor's degree in law in July 1993 and obtained a master's degree in law from the University of International Business and Economics in July 1996. Mr. Huang obtained the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in June 2001. Mr. Huang was qualified as a lawyer in the PRC since October 1995 and was qualified to practice as a solicitor in Hong Kong in July 2003.

LI Wei (李偉), Mr. Li, aged 66, was appointed as an independent non-executive Director, chairman of the Remuneration Committee, member of the Audit Committee and member of the Nomination Committee on 11 April 2022.

From February 1982 to August 1987, Mr. Li worked as an engineer in the design division of Beijing Instrument Factory* (北京儀器廠設計科). From April 1990 to April 1996, Mr. Li served as the director of the Beijing Municipal Planning Commission Foreign Economics Office* (北京市計劃委員會外經處). Mr. Li also served as the general manager of the investment division of Hong Kong Asia Co., Ltd.* (香港亞聯有限公司) and a part-time lawyer at Beijing Huatong Law Firm* (北京市華通律師事務所) from May 1996 to January 2002. Mr. Li was also a consultant of MTR Corporation Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0066), from February 2002 to December 2021, and he was also a part-time consultant of Beijing MTR Corporation Limited (北京京港地鐵有限公司) from February 2006 to December 2021.

Mr. Li obtained a bachelor's degree in precision mechanical engineering from Hefei University of Technology (合肥工業大學) in January 1982 and a master's degree in economics from the Beijing Institute of Economics* (北京經濟學院) (currently known as Capital University of Economics and Business (首都經濟貿易大學)) in March 1990. In May 1989, Mr. Li obtained his engineer qualification certificate and was approved by the Beijing Senior Professional and Technical Job Evaluation Committee* (北京市高級專業技術職務評審委員會) in December 1994 to qualify as Senior Economist.

SENIOR MANAGEMENT OF THE COMPANY

WANG Xinjiang (王新江), Mr. Wang, aged 57, Vice President. He joined the Group and was appointed as vice president of our Group in March 2016. He is mainly responsible for the financial management, operation management, project management, informatisation management, safe production management, procurement management, branding, etc.. Mr. Wang now serves as the director and vice general manager of BII-TDBJ, and directors of BII-TTBJ, BII-TSBJ and Huaqi Intelligent.

Mr. Wang was granted with a bachelor's degree of accounting and a master's degree of accounting from Central University of Finance and Economics, and possess the professional qualification of intermediate accountant. Prior to this, he worked as chief financial officer of Veolia Transport-RATP China (威立雅交通巴黎地鐵中國有限公司), and successively served as financial directors of Shengkang Group and KCS Green Energy International (Group) Investments Co., Ltd (中馬綠能(國際)集團有限公司).

LIU Zhongliang (劉忠良), Mr. Liu, aged 50, Vice President. Mr. Liu joined the Group in March 2009 and was appointed as Vice President of the Group in September 2012. He is responsible for the management of intelligent infrastructure business, in charge of BII-TSBJ, and is fully responsible for the operation and management of the company. Mr. Liu now serves as Vice General Manager of BII-TDBJ and Chairman of the Board and General Manager of BII-TSBJ and Director of Beijing City Railway.

Mr. Liu holds a PhD in Management Science from Beijing Jiaotong University and possess the professional qualification of senior engineer in Electronic Information and Urban Rail Transit. Mr. Liu has 20 years of experience in production informatization systems and management informatization in the rail transit industry, 10 years of experience in civilian communication investment and operation, and 4 years of experience in urban microcenter, hub, and land development informatization. Prior to joining our Group, Mr. Liu had worked at Anshan Municipal Commission of Development and Reform, served as a visiting scholar at the University of Maryland in the United States, and had served as Project Manager at Motorola (China) Electronics Limited, Department Manager at Samsung SDS (China) Limited, Director of Engineering and Software Development at Telvent Control System (China) Limited (now known as Schneider Electric (China) Company Limited) and China Regional Deputy General Manager at ERG Group (now known as Vix-ERG), respectively.

XIAO Zheng (肖征), Mr. Xiao, aged 38, Vice President. Mr. Xiao joined the Group in March 2020 and was appointed as Vice president, mainly responsible for the management of intelligent passenger information services business, the Board operation, management of strategy and planning, investor relations and capital operation, etc. Mr. Xiao now serves as Deputy General Manager of BII-TDBJ, General Manager of BII-TSHK, Director of Metro Technology and Capital Metro, and chairman of Huaqi Intelligent.

Mr. Xiao was granted with a bachelor's degree in Financial Management from the Central University of Finance and Economics. Prior to joining the Group, Mr. Xiao had worked in KPMG as Assistant Manager and served as Analyst in the Research Department of China International Capital Corporation. He joined BII Group in 2015 and served as Senior Project Manager, Assistant to Department General Manager, Deputy General Manager of Capital Operation Department.

SUN Qi (孫琦), Mr. Sun, aged 36, Vice President. He joined the Group in June 2021 and was appointed as Vice President mainly responsible for scientific research technology and scientific research project management, product research and development, technical support, etc.. Mr. Sun now serves as Deputy General Manager of BII-TDBJ, Chairman of BII-TTBJ, Director of Ruubypay and Huaqi Intelligent.

Mr. Sun was granted with a master's degree of Computer Science and Technology from the Beihang University. Prior to joining the Group, Mr. Sun had worked in Metro Network as trainee, supervisor, vice director and director of ACC technical room, as vice director of ACC Department ,as vice director and director of Big Data Center, as deputy leader of Customer Service Center Preparatory Group, director of Operational Data Department and Assistant General Manager.

ZHAO Jingyuan (趙婧媛), Ms. Zhao, aged 44, Deputy Secretary of the General Party Branch, was the Vice President of the Group from April 2016 to November 2021, and was appointed as Deputy Secretary of the General Party Branch in November 2021. She was mainly responsible for party management, human resources, administration affairs, legal affairs and internal control and auditing of the Group.

Ms. Zhao obtained a bachelor's degree of arts and a master's degree of history from Liaoning University. She was awarded with the practicing qualification as senior human resources administrator. Ms. Zhao owns over ten years of experience in human resources management. Prior to joining the Group, Ms. Zhao worked in Beijing Zhongdian Feihua Communication Co., Ltd. (中電飛華通信股份有限公司), a company held by State Grid Information and Communication (國網信通), as manager of the human resources department. She joined BII in 2011 and took the position of senior director of the human resources department of BII, director of the human resources and administration department of BII-TTBJ, assistant to general manager and deputy general manager of the human resources department of BII.

DIRECTORS' REPORT

The Directors are pleased to present their report for FY2023:

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of material subsidiaries are set out in Note 14 to the consolidated financial statements. None of the subsidiaries of the Company has issued debt securities.

As far as the Company is aware, during FY2023, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

RESULTS

The Group's profit for FY2023 and the state of affairs of the Group and of the Company as at that date are set out in the consolidated financial statements on pages 75 to 160. The Company is not aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the Shareholders, the Board recommended the declaration of a final dividend of HK$0.025 per share for FY2023 (FY2022: HK$0.026 per share). The proposed final dividend will be payable to Shareholders whose names appear on the register of members of the Company on Friday, 5 July 2024, subject to the approval of the shareholders of the Company at the 2024 AGM. It is expected that the final dividend will be paid on or before Friday, 20 September 2024.

ANNUAL GENERAL MEETING

The 2024 AGM will be held on Wednesday, 26 June 2024. Shareholders should refer to details regarding the 2024 AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2024 AGM to be held on Wednesday, 26 June 2024, the register of members of the Company will be closed from Thursday, 20 June 2024 to Wednesday, 26 June 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2024 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 June 2024 (Hong Kong time).

For determining the entitlement to the proposed final dividend (subject to the approval by the Shareholders at the 2024 AGM), the register of members of the Company will be closed from Wednesday, 3 July 2024 to Friday, 5 July 2024 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 2 July 2024 (Hong Kong time).

BUSINESS REVIEW

The business review of the Company for FY2023 is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report which form part of the Directors' Report. Details of credit, liquidity, interest rate and foreign exchange risks in the course of business are set out in Note 29 to the financial statements. The details of the Group's environmental, social and governance practices as well as the relationship and discussion with employees, customers, suppliers and other stakeholders are listed in the "2023 Environmental, Social and Governance Report" separately issued by the Group.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group for FY2023 are set out in Note 27 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

In accordance with the Companies Act, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2023, the Company's reserves available for distribution amounted to approximately HK$1,607.7 million (31 December 2022: HK$1,662.2 million). Such amount includes the Company's share premium.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for FY2023 are set out in Note 11 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements is set out on page 6 in this annual report. This summary does not form part of the audited financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For FY2023, the purchases and sales percentage from the major customers and suppliers of the Group are set out below:

		Percentage of total purchases
(1)	Purchases	
	– the largest supplier	6.72%
	– the five largest suppliers combined	24.97%

		Percentage of total sales
(2)	Sales	
	– the largest customer	8.81%
	– the five largest customers combined	33.21%

Save as disclosed under the sections headed "Connected transactions" and "Continuing connected transactions" in this Directors' Report, as far as the Directors are aware, none of the Directors or any of their close associates, or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and suppliers for FY2023.

DIRECTORS

The Directors in office at the date of 31 December 2023 were:

Executive Directors

Mr. Liu Yu(Note) *(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

Note: Ms. Xuan Jing resigned as an executive Director and a chief executive officer with effect from 21 March 2023.

According to Article 16.18 of the Articles, Mr. Cao Mingda, Mr. Huang Lixin and Mr. Li Wei will retire as Directors by rotation at the 2024 AGM. All of the retiring Directors, being eligible, will offer themselves for re-election as Directors at the 2024 AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of their independence during FY2023 and all independent non-executive Directors are considered to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 25 to 29 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who was proposed for re-election at the 2024 AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group for FY2023 are set out in Notes 8 and 9 to the consolidated financial statements.

MANAGEMENT CONTRACTS

As at 31 December 2023, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, dedication and achievement.

RELATIONSHIP WITH EMPLOYEES

Employees are the Group's most valuable assets. The Group actively improves the human resources system and corporate culture construction, protects the rights and interests of employees, pays attention to the reasonable demands of employees, builds a comprehensive salary system, provides high-quality training and career development opportunities, and organises various activities for employees. The Group has established good relationship with its employees throughout the year.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration payable to the senior management of the Company for FY2023 falls within the following bands:

Remuneration (HK$)	Number of individuals
500,001-1,000,000	1
1,000,001-2,000,000	5

DIRECTORS' INTEREST IN CONTRACTS

Saved as disclosed under the section headed "Continuing connected transactions" below and disclosed in Note 30 to the consolidated financial statements under the heading "Material related party transactions", (i) no transaction, arrangement, or contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at 31 December 2023 or at any time during FY2023; (ii) no transaction, arrangement, or contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries; and (iii) no transaction, arrangement, or contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

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

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the "**SFO**")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules were as follows:

Long positions in shares and underlying shares

Name of Director	The Company/ Name of associated corporation	Capacity	Number of shares	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Cao Mingda[Note]	The Company	Founder of a discretionary trust who can influence how the trustees exercises its discretion	244,657,815	11.66%

Note: Mr. Cao Mingda is the founder of a discretionary trust and is interested in 244,657,815 shares of the Company through Trident Trust Company (Cayman) Limited, the trustee of the trust, through its controlled company, More Legend.

Save as disclosed above, as at 31 December 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 which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 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%
Toplight Management Limited	Interest of controlled corporation *(Note 2)*	244,657,815	11.66%
Trident Trust Company (Cayman) Limited	Trustee *(Note 2)*	244,657,815	11.66%
Ms. Pang Ziqian ("**Ms. Pang**")	Interest of spouse *(Note 3)*	244,657,815	11.66%
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%

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 a wholly-owned subsidiary of Toplight Management Limited and Trident Trust Company (Cayman) Limited is interested in all the shares in Toplight Management Limited as trustee of the trust. By virtue of the SFO, Toplight Management Limited and Trident Trust Company (Cayman) Limited are deemed to be interested in 244,657,815 shares of the Company owned by More Legend.

3. Ms. Pang is the spouse of Mr. Cao Mingda and by virtue of the SFO, is deemed to be interested in the 244,657,815 shares of the Company which Mr. Cao Mingda 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.

* *For identification purposes only*

Save as disclosed above, as at 31 December 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 FY2023. 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 FY2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" and in the paragraph headed "Share Option Scheme", at no time during FY2023 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any conflict of interests with the Group.

CONNECTED TRANSACTIONS

Particulars of the non-exempt connected transaction is set out below:

Formation of An Associate

Reference is made to the announcement of the Company dated 7 June 2023. On 7 June 2023 (after trading hours), BII Zhongfu, a wholly-owned subsidiary of the Company, entered into the investment agreement ("**Investment Agreement**") with Beijing Smart City and Beiming Software in relation to the formation of an associate company. Such associate company is established to engage in intelligent hub related business projects. Pursuant to the associate Agreement, the registered capital of the associate company will be RMB20 million (equivalent to approximately HK$22.2 million). 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 associate company, in proportion to their respective equity holding in the associate company, representing 32%, 38% and 30% of the registered capital of the associate company, respectively. Upon approval of the administration for industry and commerce, the name of the associate company was confirmed to be Beijing SmartTOD Technology Development Co., Ltd* (北京京智網智慧科技發展有限公司) (i.e. SmartTOD Technology).

As at the date of the investment agreement, BII HK held 1,157,634,900 shares in the Company, representing approximately 55.20% of the existing issued share capital of the Company. BII HK is a substantial shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and hence it is also a connected person of the Company. BII indirectly holds 45% of the equity interests in Beijing Smart City. Therefore, Beijing Smart City is an associate of BII as BII indirectly holds more than 30% of the equity interests in Beijing Smart City, and Beijing Smart City is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the investment agreement constituted a connected transaction for the Company under the Listing Rules. For details, please refer to the announcement of the Company dated 7 June 2023.

Leasing of Property

Reference is made to the announcement of the Company dated 14 August 2023. On 14 August 2023 (after trading hours), Litmus (as tenant), an indirect non-wholly-owned subsidiary of the Company, and Traffic Control Silicon Valley Technology (as landlord) entered into a tenancy agreement (the "**Tenancy Agreement**") in relation to the leasing of a property for a term of five years, from 1 December 2023 to 30 November 2028, by Litmus from Traffic Control Silicon Valley Technology. The total (i) rent payable pursuant to such leasing tenancy agreement is approximately RMB6.5 million (equivalent to approximately HK$7.1 million); and (ii) property service fees (inclusive of tax) payable for the entire term is approximately RMB1.6 million (equivalent to approximately HK$1.7 million). The Directors are of the view that (i) the current office premises of Litmus is unable to cope with the increase in demand in use of its office premises due to the continuous business development of Litmus; (ii) the property subject to the Tenancy Agreement is geographically located in an area where there is concentration of companies in the rail transit industry and is able to meet the development needs of Litmus; and (iii) the Tenancy Agreement represents an opportunity for the Group to expand its operations in Beijing at a prime business location without substantial costs incurred. For further details relating to the consideration payable under such tenancy agreement, please refer to the announcement of the Company dated 14 August 2023.

As at the date of the Tenancy Agreement, BII HK held 1,157,634,900 Shares, representing approximately 55.20% of the existing issued share capital of the Company. BII HK is a substantial shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and hence it is also a connected person of the Company. BII directly holds the entire equity interests in Traffic Control Silicon Valley. Therefore, Traffic Control Silicon Valley is an associate of BII, and Traffic Control Silicon Valley is therefore a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transaction contemplated under the Tenancy Agreement constituted a connected transaction for the Company under the Listing Rules. For details, please refer to the announcement of the Company dated 14 August 2023.

CONTINUING CONNECTED TRANSACTIONS

Particulars of the non-exempt continuing connected transactions are set out below:

1. New framework service agreement entered into between the Company and BII

Reference is made to the announcement of the Company dated 17 December 2021 and the circular of the Company dated 11 February 2022. The Company and BII entered into the New BII Framework Service Agreement ("**New BII Framework Service Agreement**") on 17 December 2021 for a period from 1 January 2022 to 31 December 2024 (both days inclusive).

As at 17 December 2021, BII held approximately 55.20% of the shares of the Company through its wholly-owned subsidiary (i.e. BII HK), and therefore, BII is the ultimate holding company and a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the New BII Framework Service Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to the New BII Framework Service Agreement, during the term of which, provided that (i) a member of the Group is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate on an arm's length basis regarding the commercial terms to be set out in the individual agreements for services, the Group agrees to provide BII, its subsidiaries and/or its associates during the term of the New BII Framework Service Agreement with: Consulting and technical support services, IT support services, technical services, technological development, software development, software procurement, hardware design and development, hardware procurement, system integration, system procurement, operation and maintenance, construction of projects and other types of ancillary services agreed by the parties in writing from time to time.

Pursuant to the New BII Framework Service Agreement, the Group would enter into individual agreements for the provision of services with BII, its subsidiaries and/or its associates. Pursuant to the New BII Framework Service Agreement, the terms of the individual agreements to be entered into (including service fees) would be negotiated on an arm's length basis between the parties and would be determined by the parties from time to time in the ordinary course of business on normal commercial terms. The prices of the transactions contemplated under the New BII Framework Service Agreement would be determined by government-prescribed price or government-guided price or tender process, or market price or agreed price (as the case may be), depending on the method set out in the circular of the Company dated 11 February 2022. Details of the New BII Framework Service Agreement and the relevant continuing connected transactions were set out in the announcement and the circular of the Company dated 17 December 2021 and 11 February 2022, respectively.

As (i) BII is the ultimate controlling shareholder of the Company; and (ii) BII, its subsidiaries and/or its associates have a long-standing business relationship with the Group, the Directors are of the view that BII, its subsidiaries and/or its associates are reliable business partners and that further business cooperation is beneficial to the Group and provides a stable source of income for the Group.

For FY2023, the total transaction amount carried out under the New BII Framework Service Agreement amounted to approximately RMB328.3 million (equivalent to approximately HK$364.4 million).

2. Framework service agreement entered into between the Company and Information Development

Reference is made to the announcement of the Company dated 17 December 2021 and the circular of the Company dated 11 February 2022. The Company and Information Development entered into the Information Development Framework Service Agreement ("**Information Development Framework Service Agreement**") on 17 December 2021 for a period from 1 January 2022 to 31 December 2024 (both days inclusive).

Reference is made to the announcement of the Company dated 17 December 2021, as at 19 June 2019, approximately 51.61% of the existing share capital of Information Development was owned by Beikong Telecom, which was ultimately and beneficially owned by Mr. Cao Wei (曹瑋) ("**Mr. Cao**"), an Executive Director and Vice Chairman of the Company at the relevant time. Accordingly, Information Development was an associate of Mr. Cao and therefore was a connected person of the Company under Chapter 14A of the Listing Rules at the relevant time. Accordingly, the transactions contemplated under the Information Development Framework Service Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules at the relevant time. As at the date of this annual report, Mr. Cao is no longer a director of the Company.

Pursuant to the Information Development Framework Service Agreement, during the term of which, provided that (i) a member of Information Development is awarded with the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate on an arm's length basis regarding the commercial terms to be set out in the individual agreements for services, Information Development, its subsidiaries and/or its associates agree to provide the Group during the term of the Information Development Framework Service Agreement with: Maintenance, fault repair, expansion and upgrade services of the systems, equipment and facilities in relation to civil communications, and other types of auxiliary services agreed by the parties in writing from time to time.

Pursuant to the Information Development Framework Service Agreement, the Group would enter into individual agreements for the provision of services with Information Development, its subsidiaries and/or its associates. Pursuant to the Information Development Framework Service Agreement, the terms of the individual agreements to be entered into (including service fees) would be negotiated on an arm's length basis among the parties and would be determined by the parties from time to time in the ordinary course of business on normal commercial terms. The prices of the transactions contemplated under the Information Development Framework Service Agreement would be determined by government-prescribed price, or government-guided price, or tender process, or the market price, or the agreed price (as the case may be), depending on the method set out in the circular of the Company dated 11 February 2022. Details of the Information Development Framework Service Agreement and the relevant continuing connected transactions were set out in the announcement and the circular of the Company dated 17 December 2021 and 11 February 2022, respectively.

As Information Development, its subsidiaries and/or its associates have a long-standing business relationship with the Group, the Directors are of the view that Information Development, its subsidiaries and/or its associates are reliable business partners and that further business cooperation is beneficial to the steady development of the Group.

For FY2023, the total transaction amount carried out under the Information Development Framework Service Agreement amounted to approximately RMB40.7 million (equivalent to approximately HK$45.2 million).

3. Tenancy agreements in relation to leasing of properties entered into with BII Real Estate for the year ended 31 December 2023

Reference is made to the announcement of the Company dated 9 October 2023, BII Real Estate (as landlord) entered into a tenancy agreement ("**2023 BII Real Estate Tenancy Agreement**") with BII-TTBJ (as tenant), whereby BII-TTBJ leased certain properties from BII Real Estate for a term of one year from 1 June 2024 to 31 May 2025.

The annual cap in respect of the transaction contemplated under the 2023 BII Real Estate Tenancy Agreement for the two years ending 31 December 2025 will be RMB4,400,905.76 (equivalent to approximately HK$4,796,987.28) and RMB3,105,312.01 (equivalent to approximately HK$3,384,790.09), which is calculated with reference to the aggregate rent payable by BII-TTBJ to BII Real Estate pursuant to the 2023 BII Real Estate Tenancy Agreement. The terms of the 2023 BII Real Estate Tenancy Agreement (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The Directors are of the view that the transactions contemplated under the 2023 BII Real Estate Tenancy Agreement would (a) be able to meet the increase in demand in use of the Group's office premises; (b) assist the Group in increasing its market development potential; (c) strengthen talent attraction; and (d) enhance the research and development technological skill of the Group, and represent a rare opportunity for the Group to expand its operation in Beijing at a prime business locations without substantial costs incurred. Details of the transactions contemplated under the 2023 BII Real Estate Tenancy Agreement are set out in the announcements of the Company dated 9 October 2023.

As at the date of 2023 BII Real Estate Tenancy Agreement, BII HK held 1,157,634,900 Shares, representing approximately 55.20% of the existing issued share capital of the Company. BII HK is a substantial shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and hence it is also a connected person of the Company. BII directly holds the entire equity interests in BII Real Estate. Therefore, BII Real Estate is associate of BII, and BII Real Estate is therefore connected persons of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under 2023 BII Real Estate Tenancy Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As the term of the 2023 BII Real Estate Tenancy Agreement starts from 1 June 2024 to 31 May 2025, the total amount of the transactions under the 2023 BII Real Estate Tenancy Agreements in FY2023 was zero.

On 28 March 2024, the parties to the 2023 BII Real Estate Tenancy Agreement had agreed to terminate the 2023 BII Real Estate Tenancy Agreement with immediate effect. Please refer to the announcement of the Company dated 28 March 2024 for details.

4. Tenancy agreements in relation to leasing of properties entered into with BII Technical for the year ended 31 December 2023

On 28 April 2022, BII Technical (as landlord) entered into a tenancy agreement ("**2022 BII Technical First Tenancy Agreement**") with Huaqi Intelligent (as tenant), whereby Huaqi Intelligent leased certain properties from BII Technical for a term of one year from 30 April 2022 to 29 April 2023. On 8 September 2022, BII Technical (as landlord) entered into a tenancy agreement ("**2022 BII Technical Second Tenancy Agreement**") with BII-TDBJ (as tenant), whereby BII-TDBJ leased certain properties from BII Technical for a term of one year from 1 October 2022 to 30 September 2023. On 17 March 2023, BII Technical (as landlord) entered into a tenancy agreement ("**2023 BII Technical Tenancy Agreement**") with Huaqi Intelligent (as tenant), whereby Huaqi Intelligent leased certain properties from BII Technical for a term of one year from 30 April 2023 to 29 April 2024. BII-TDBJ and Huaqi Intelligent are collectively referred to as the "2023 Tenants". The "2022 BII Technical First Tenancy Agreement", "2022 BII Technical Second Tenancy Agreement" and "2023 BII Technical Tenancy Agreement" are collectively referred to as the "BII Technical Tenancy Agreements".

The annual cap in respect of the transaction contemplated under the 2022 BII Technical First Tenancy Agreement for the year ended 31 December 2023 is RMB51,312.80 (equivalent to approximately HK$56,934.74). The annual cap in respect of the transaction contemplated under the 2022 BII Technical Second Tenancy Agreement for the year ended 31 December 2023 is RMB177,807.63 (equivalent to approximately HK$193,810.32). The annual cap in respect of the transaction contemplated under the 2023 BII Technical Tenancy Agreement for the year ended 31 December 2023 and the year ending 31 December 2024 is RMB106,075.20 (equivalent to approximately HK$115,621.97) and RMB51,744 (equivalent to approximately HK$56,400.96).

The annual cap in respect of the transaction contemplated under BII Technical Tenancy Agreements for the year ended 31 December 2023 is RMB335,195.63 (equivalent to approximately HK$366,376.03). The terms of the BII Technical Tenancy Agreements (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The Directors are of the view that the transactions contemplated under the represent a rare opportunity for the Group to expand its operations in Beijing at a prime business locations without substantial costs incurred. Details of the transactions contemplated under each of the respective BII Technical Tenancy Agreements were set out in the announcements of the Company dated 28 April 2022 and 9 October 2023.

As at the date of each of the BII Technical Tenancy Agreements, BII HK held 1,157,634,900 Shares, representing approximately 55.20% of the existing issued share capital of the Company. BII HK is a substantial shareholder of the Company and hence a connected person of the Company. BII is the sole beneficial shareholder of BII HK and hence it is also a connected person of the Company. BII directly holds the entire equity interests in BII Technical. Therefore, BII Technical is associate of BII, and BII Technical is therefore connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the BII Technical Tenancy Agreements constituted continuing connected transactions for the Company under the Listing Rules.

The total amount of the transactions under the BII Technical Tenancy Agreements in FY2023 was approximately RMB323,000 (equivalent to approximately HK$358,000).

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 (Revised), *Assurance Engagements other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740, Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules*, issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued their unqualified letter containing the auditor's findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with the Listing Rules 14A.56.

The independent non-executive Directors have confirmed that the continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions set out above.

Details of material related party transactions entered into by the Group are set out in Note 31 to the consolidated financial statements. Except for those described under the paragraphs headed "Connected transactions" and "Continuing connected transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

UPDATE ON THE LOAN EXTENSION AGREEMENT

Reference is made to the announcement of the Company dated 18 August 2023. On 18 August 2023, the Company entered into a supplemental loan extension agreement with Eastern Creation II Investment Holdings Ltd ("**Eastern Creation II**") pursuant to which (i) the Company would repay HK$45 million (including interests of HK$152,650) at an earlier time period than stipulated in the loan extension agreement entered into by the Company (as borrower) and Eastern Creation II (as lender) on 22 October 2021; and (ii) complete the relevant procedures for the release of share charge over 9% of the issued shares of Great Legend Development Limited after such early repayment. For details, please refer to the announcement of the Company dated 18 August 2023.

EVENTS AFTER THE REPORTING PERIOD

Save for the events described under the paragraph headed "Final dividend" in this annual report, there is no other material events after the reporting period as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, during FY2023 and until the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

DONATIONS

During FY2023, the donation of the Group was approximately HK$425,800 (FY2022: HK$67,900).

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Company, or existed during FY2023.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.

The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group recognises its responsibility to protect the environment when conducting its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. Details of the Group's environmental, social, and governance practices are set out in the "2023 ESG Reporting" separately published by the Group.

CHANGES IN DIRECTORS' INFORMATION

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

1. Mr. Liu Yu, executive Director, resigned as chairman of the board of BII-TTBJ with effect from 10 January 2024.

2. Ms. Sun Fang, non executive Director, was appointed as Secretary of the Party Branch and chairman of Ruubypay with effect from 28 November 2023. She resigned as Deputy Secretary of the Party Branch and General Manager of Metro Network with effect from 28 November 2023.

3. Mr. Cao Mingda, non executive Director, was appointed as the director of Metro Technology in 21 August 2023 and as the director of Capital Metro in 21 August 2023.

AUDITORS

Baker Tilly Hong Kong Limited ("**Baker Tilly**") was appointed as the auditors of the Company following the retirement of KPMG at the conclusion of the 2023 annual general meeting of the Company. Save for the appointment of Baker Tilly, there was no change in auditors of the Company for the preceding three years.

The consolidated financial statements for FY2023 were audited by Baker Tilly and they have issued an unqualified opinion. Baker Tilly shall retire and, being eligible, offer themselves for re-appointment at the 2023 AGM. A resolution to re-appoint Baker Tilly as auditors of the Company and to authorise the Directors to fix the auditors' remuneration will be proposed at the 2024 AGM.

By Order of the Board
BII Railway Transportation Technology Holdings Company Limited
Liu Yu
Executive Director
Chief Executive Officer

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report for FY2023.

CORPORATE GOVERNANCE PRACTICES

The Board believes that maintaining high standard of corporate governance practices is crucial to safeguarding shareholders' and stakeholders' interests, formulating business strategies and policies as well as enhancing corporate value, transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code contained in Appendix C1 of the Listing Rules (the "**CG Code**"). Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company's corporate governance practices and has devised its own code of corporate governance based on the major principles and practices as set out in the CG Code. For FY2023, the Company was in compliance with the CG Code.

BOARD OF DIRECTORS

The Company is headed by an effective Board which makes strategic decisions and supervises the achievement of the Group's business and performance. The Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his or her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board's responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

On 31 December 2023, the Board had eight Directors, comprising one executive Directors, four non-executive Directors and three independent non-executive Directors. Details of the Board composition are set out below:

Executive Director

Mr. Liu Yu	(Chief Executive Officer and member of the ESG Committee)

Non-executive Directors

Mr. Guan Jifa	(Chairman, member of the Remuneration Committee, chairman of the Nomination Committee and chairman of the ESG Committee)
Ms. Sun Fang	
Mr. Cao Mingda	
Ms. Hou Weiwei	

Independent non-executive Directors

Mr. Luo Zhenbang	(Chairman of the Audit Committee and member of the ESG Committee)
Mr. Huang Lixin	(Member of the Audit Committee, member of the Remuneration Committee and member of the Nomination Committee)
Mr. Li Wei	(Chairman of the Remuneration Committee and member of the Audit Committee and member of the Nomination Committee)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and senior management" on pages 25 to 31 of this annual report. None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are segregated and held by Mr. Guan Jifa and Mr. Liu Yu, respectively, to ensure their respective independence, accountability and responsibility. The Chairman provides leadership and is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally. There is a clear division of responsibilities between the Chairman and Chief Executive Officer which provides a balance of power and authority.

Independent non-executive Directors

The Board consists of at least three independent non-executive Directors representing one-third of the Board with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during FY2023.

The Company has received written annual confirmation from each independent non-executive Director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which can be terminated by either party by giving to the other not less than one month's prior written notice. Each of the non-executive Directors (including independent non-executive Directors) has entered into a letter of appointment with the Company for a fixed term of three years which can be terminated by the Company by not less than three months' prior written notice.

According to Article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

According to Article 16.3 of the Articles, the Company may from time to time increase or reduce the number of Directors in general meeting by ordinary resolution but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Companies Act Cap. 22 of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election thereat.

According to Article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or 16.3 of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board has overall responsibility for the leadership and control of the Group, including the responsibilities for the formulation of long-term strategies, and appointing and supervising senior management to ensure that the operation of the Company is conducted in accordance with the objective of the Group; and is collectively responsible for directing and supervising the Group's affairs.

The Board directly, and indirectly through its committees, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent views and judgement on corporate actions and operations.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reviews and evaluates the independence of the Board on an annual basis and ensures that the Board is provided with independent views and opinions by adopting a series of methods and approaches such as ensuring the proportion of independent non-executive Directors on the Board and the Board committees, regularly evaluating the independence of all non-executive Directors, striving to ensure that all Directors have equal opportunities and channels to communicate and express their independent views and opinions to the Board and the Board committees, etc..

During FY2023, the Board reviewed the effectiveness of Board independence mechanisms and the results were satisfactory.

BOARD MEETINGS

The Board meets regularly (at least four times a year) to discuss and approve the overall strategies and policies, monitor the financial and operational performance, review corporate governance practices, consider and approve the financial results as well as other significant matters of the Group. Additional meetings are convened as and when the Board considers necessary. In case where conflict of interest arises involving a substantial shareholder or a Director, such matter will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will deal with such issues involving conflict of interest.

A tentative schedule for regular Board meetings for each year is provided to Directors at the beginning of each calendar year. Notice of at least 14 days will be given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors at least 3 days before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

All Directors have access to Board papers and related materials, and are provided with adequate information in a timely manner, which enable the Board to make an informed decision on matters placed before it.

Four regular Board meetings and ten extraordinary Board meetings were held during FY2023. The attendance record of each Director at the Board meetings is set out below:

Name of Directors	Meetings attended/Number of meetings Regular Board meeting	 Extraordinary Board Meeting
Executive Directors		
Ms. Xuan Jing(Note 1) *(Chief Executive Officer)*	NA	1/1
Mr. Liu Yu(Note 2) *(Chief Executive Officer)*	4/4	10/10
Non-executive Directors		
Mr. Guan Jifa *(Chairman)*	4/4	10/10
Ms. Sun Fang	4/4	10/10
Mr. Cao Mingda	4/4	10/10
Ms. Hou Weiwei	4/4	10/10
Independent Non-executive Directors		
Mr. Luo Zhenbang *(CPA)*	4/4	10/10
Mr. Huang Lixin	4/4	10/10
Mr. Li Wei	4/4	10/10

Notes:

1. Ms. Xuan Jing resigned as an executive Director and a chief executive officer with effect from 21 March 2023. On that day, she also resigned as a member of the ESG committee.

2. Mr. Liu Yu was appointed as a chief executive officer and a member of the ESG committee with effect from 21 March 2023.

Apart from regular Board meetings and extraordinary Board meetings, the Chairman of the Board also held meeting with independent non-executive Directors without the presence of other Directors during FY2023.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee and ESG Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the aforesaid committees have been posted on the Company's website and the website of the Stock Exchange and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Board Composition" in this Corporate Governance Report.

Audit Committee

The Company established the Audit Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. On 30 December 2015, the Board adopted the revised written terms of reference which became effective on 1 January 2016. On 25 December 2018, the Board adopted the further revised written terms of reference which became effective on the same date. 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 CG Code.

The Audit Committee currently consists of three independent non-executive Directors, namely Mr. Luo Zhenbang (chairman of the Audit Committee), Mr. Huang Lixin and Mr. Li Wei.

The primary duties of the Audit Committee, among other things, are (i) to 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.

The Audit Committee held four meetings during FY2023 to, among others, review the interim and annual financial results and reports of the Group and significant issues on financial reporting, operational and compliance controls. The Audit Committee also reviewed the effectiveness of the Group's risk management and internal control systems, internal audit function and compliance procedures, and considered matters regarding appointment of external auditors, relevant scope of works and connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without presence of the executive Directors.

The attendance record of each member at the Audit Committee meetings is set out below:

	Meetings attended/ Number of meetings
Mr. Luo Zhenbang *(CPA)* *(chairman of the Audit Committee)*	4/4
Mr. Huang Lixin	4/4
Mr. Li Wei	4/4

Remuneration Committee

The Company established the Remuneration Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules. On 25 December 2018 and 26 October 2022, the Board respectively adopted the revised written terms of reference which became effective on the same date. The written terms of reference of the Remuneration Committee was adopted in compliance with code provision E.1.2 of the CG Code.

The Remuneration Committee currently consists of two independent non-executive Directors, namely Mr. Li Wei (chairman of the Remuneration Committee) and Mr. Huang Lixin, and one non-executive Director, namely Mr. Guan Jifa.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration packages of executive Directors, non-executive Directors and senior management and overall remuneration policy and structure relating to all Directors and senior management of the Group, and establish transparent procedures for developing such remuneration policy and structure and to ensure that none of the Directors or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held three meetings during FY2023 to review and make recommendation to the Board on the remuneration policy and the remuneration packages of the Directors and senior management. Details of the remuneration of senior management by band are set out in Note 9 to the consolidated financial statements in this annual report.

The attendance record of each member at the Remuneration Committee meeting is set out below:

	Meetings attended/ Number of meetings
Mr. Li Wei *(chairman of the Remuneration Committee)*	3/3
Mr. Guan Jifa	3/3
Mr. Huang Lixin	3/3

Nomination Committee

The Company established the Nomination Committee on 8 December 2011 with written terms of reference in compliance with code provisions B.3.1 of the CG Code. On 25 December 2018, the Board adopted the revised written terms of reference which became effective on the same date. The Nomination Committee adopted a board diversity policy on 30 August 2013 to achieve diversity on the Board which was subsequently revised on 25 December 2018.

The Nomination Committee currently consists of one non-executive Director, namely Mr. Guan Jifa (chairman of the Nomination Committee) and two independent non-executive Directors, namely Mr. Huang Lixin and Mr. Li Wei.

The primary duties of the Nomination Committee are to review the structure, size, diversity and composition of the Board on a regular basis; develop and formulate relevant procedures for the nomination and appointment of Directors; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Company's director nomination policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The director nomination policy as adopted by the Board sets out the procedure and criteria in the nomination and appointment of Directors.

The Nomination Committee held two meetings during FY2023 to discuss and review the structure, size and composition of the Board and the independence of the independent non-executive Directors as well as matters regarding retirement and re-election of Directors at annual general meeting.

The attendance record of each member at the Nomination Committee meeting is set out below:

	Meetings attended/ Number of meetings
Mr. Guan Jifa *(chairman of the Nomination Committee)*	2/2
Mr. Huang Lixin	2/2
Mr. Li Wei	2/2

ESG Committee

The Company established the ESG Committee on 29 November 2021 with written terms of reference. The ESG Committee consists of three members, including an executive director, a non-executive director, and an independent non-executive director. The committee has a chairman.

The ESG Committee currently consists of one non-executive Director, namely Mr. Guan Jifa (chairman of the ESG Committee), one executive Director, namely Mr. Liu Yu, and one independent non-executive Director, namely Mr. Luo Zhenbang.

The terms of reference of the ESG Committee are to review, approve and report to the board of directors the company's ESG principles, objectives, standards and matters, and to supervise, review and evaluate their effective implementation in the formulation of strategies, systems and business practices. The ESG Committee is also responsible for reviewing and recommending the ESG reports to the board of directors, etc.

The ESG Committee held two meetings during FY2023 to discuss the company's ESG report, ESG objectives, etc. and report to the Board.

The attendance record of each member at the ESG Committee meeting is set out below:

	Meeting attended/ Number of meeting
Mr. Guan Jifa *(chairman of the ESG Committee)*	2/2
Mr. Liu Yu	2/2
Mr. Luo Zhenbang	2/2

BOARD DIVERSITY POLICY

The Company adopted a board diversity policy on 30 August 2013 to achieve diversity on the Board which was subsequently revised on 6 December 2013 and 25 December 2018 (the "**Board Diversity Policy**") and is available on the website of the Company. The Company recognises and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to maintaining diversity at all levels and will consider the measurable objectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience.

The Company aims to maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Company's business growth and is also committed to ensuring that selection and nomination of Board positions are appropriately structured so that a diverse range of candidates are considered.

For the purpose of implementation of the Board Diversity Policy, the Board will consider the following measurable objectives:

1. at least one third of the Directors shall be an independent non-executive Directors;

2. at least one Director and senior management is female; and

3. at least one Director shall have obtained accounting or other professional qualifications.

During the Period, all the measurable objectives have been fulfilled and the Company considers that the Board satisfies the Board Diversity Policy.

As at 31 December 2023, the Board comprised eight members, including two female Directors who have a balance mix of knowledge, skill and experience. The Company has taken and will continue to take steps to promote gender diversity at all levels of the Company, including but without limitation at Board and senior management levels.

For succession planning to maintain gender diversity on the Board, the Board will ensure, by upholding an open, fair, just and reasonable human resource policy with equal opportunities for talent attraction and promotion regardless of gender, that a diverse pipeline of candidates are available to take up leadership positions when any vacancy arises.

The Company will also ensure that there is gender diversity when recruiting staff at mid to senior levels. It is the Company's objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices. As at 31 December 2023, the gender ratio in the workforce (including senior management) was approximately 74.5% males and 25.5% females.

At present, the Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has achieved the measurable objectives in implementing the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate and on a regular basis, to ensure its continued effectiveness.

DIRECTOR NOMINATION POLICY

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company. Without prejudice to the authority and duties of the Nomination Committee as set out in its terms of reference, the ultimate responsibility for selection and appointment of Directors of the Company rests with the entire Board.

The Company has adopted a director nomination policy (the "**Director Nomination Policy**") which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The nomination process set out in the Director Nomination Policy is as follows:

Appointment of New Director

- The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to recommendation by Shareholders, re-designation etc.;

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship;

- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable);

- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable;

- For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship; and

- Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of Director at the general meeting.

Re-election of Director at General Meeting

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring Director and the level of participation and performance on the Board;
- The Nomination Committee and/or the Board should also review and determine whether the retiring Director continues to meet the criteria as set out above; and
- The Nomination Committee and/or the Board should then make recommendation to Shareholders in respect of the proposed re-election of Director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as Director at the general meeting, the relevant information of the candidate will be disclosed in the circular to Shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity aspects under the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience;
- Requirements of independent non-executive Directors on the Board and independence of the proposed independent non-executive Directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee of the Company.

During FY2023, the Nomination Committee recommended to the Board the appointment of a CEO, namely Mr. Liu Yu. The appointments were subject to a stringent nomination process in accordance with the Director Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

The Nomination Committee will conduct a regular review on the Director Nomination Policy, as appropriate, to ensure its effectiveness.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision A.2.1 of the CG Code.

The Board determines the Company's corporate governance policies and performs corporate governance duties set out in the CG Code. Its corporate governance duties include, among others, (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal or regulatory requirements; and (iv) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Throughout FY2023, the Board has performed the functions set out in code provision A.2.1 of the CG code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised the Securities Dealing Code on terms no less exacting than the required standard of dealings set out in the Model Code. The Company customarily issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standards set out in the Securities Dealing Code and the Model Code throughout FY2023. The Securities Dealing Code also applies to employees to whom the Securities Dealing Code was given. The Company was not aware of any non-compliance of the Model Code for FY2023.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and officers that may arise out of the corporate activities. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Induction materials and relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to directors, duty of disclosure of interests and business in the Group will be provided to newly appointed Directors shortly upon their appointment as Directors to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Continuing briefings and professional development to Directors will be arranged when necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses.

In FY2023, the Company held many training courses for all Directors, including listing rules and relevant guidelines, inside information, ESG, etc.. All Directors attended the trainings.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board shall acknowledge its responsibility for the Group's risk management and internal control systems, to assess and determine the nature and extent of risks that the Group is willing to accept in achieving its strategic objectives, and acknowledge that the Group will establish and continue to maintain appropriate and effective risk management and internal control systems and be responsible for reviewing the effectiveness of such systems, which are designed to manage rather than eliminate risks of failure to achieve its business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board, with the assistance of the Audit Committee, will continuously oversee the design, implementation and monitoring of the risk management and internal control systems conducted by management. The management has reported to the Board and the Audit Committee on the review of all material controls including financial, operational and compliance controls, and the Board confirmed that the Group's risk management and internal control systems were effective during the reporting period, and that no material control failures or control weaknesses were identified.

The Group has set up Finance Department, Legal and Audit Department and Capital Operation Department, which are responsible for accounting and financial reporting, internal audit and ESG work respectively. The employees of these departments have relevant work experience or practicing certificates, and various trainings have been conducted on corporate tax management and risk prevention in the digital management environment and ESG practices and disclosure. The Board confirmed that during the reporting period, the Group has provided sufficient resources for its accounting, internal audit and financial reporting functions as well as ESG performance and reporting, recruited employees with sufficient qualifications, and provided various training courses to its employees.

The Group's management is responsible for designing, maintaining, implementing and continuously monitoring the risk management, internal audit and investment project post-evaluation systems, and has established a comprehensive risk list based on the five major types of risks, namely strategic, operational, legal, financial and market risks. During this period, it continuously improved the identified risks, issues and deficiencies, and corrected and improved the deficiencies in a timely manner through the internal audit and investment project post-evaluation systems, so as to effectively protect the Group's assets and the rights and interests of equity holders.

Management will continuously monitor the Group's risk and internal control systems through various means such as annual internal control compliance evaluation, special compliance evaluation and special internal audit. During the annual internal control compliance evaluation of 2023, Management focused on business processes and control processes such as financial reporting, project management, research and development management, human resources, and budget management, and communicated one result to the Board and the Audit Committee.

The Group has established a sound risk prevention and control system to identify, evaluate and analyse relevant procedures and their substances through management structure, group systems and job responsibilities. The Group conducts surveys in the form of risk assessment questionnaires to management of the Group and its subsidiaries, middle management of each department, and professional and technical experts as a means of sorting out, evaluating, analysing and correcting possible risks, and at the same time, enabling the senior-level employees of the Group to obtain a timely understanding of and to report to management on various types of perceived potential risks, so as to strengthen the Group's ability to identify and manage risks.

In order to promote the Group to build a major risk prevention and control system that is systematic, scientific and standardised, with clear duties and responsibilities, coordinated and orderly, and well-supervised, to strengthen the supervisory role of the contributors of state assets, and to deepen the construction and supervision of the internal control systems of state-owned enterprises, the Group has rewritten the existing Internal Control Management Manual to form the Internal Control, Compliance and Risk Management Manual. Based on the Guidelines for the Application of Enterprise Internal Controls and aiming at the integration of "internal control, compliance and risks", the manual is divided into 22 control processes based on the actual business of the Group, including 8 company-level control processes and 14 business-level control processes, forming a separate company-level control process for compliance management and risk management vertically and conducting organic integration of compliance requirements, risk points and internal control processes horizontally, so as to help enhance the management level of the integrated system, reduce management costs, and maximise management efficiency.

The Group makes internal control and compliance evaluation and special internal audit plans every year. Based on the Internal Control, Compliance and Risk Management Manual and various policies and other documents, the Group carries out specific reviews on the effectiveness of the risk management and internal control systems through procedures such as inquiry, observation, walk-through test and control test, and identifies the deficiencies in risk management and internal controls in a timely manner, reports them to the Board and the Audit Committee, follows up and supervises the rectifications. If serious internal control deficiencies are identified in the course of the review, the Group will punish the relevant responsible persons in accordance with the Management Regulations on Investment Accountability for Illegal Operations and other policies, and take timely measures to minimise and recover losses as well as eliminate any adverse effects.

As the procedures and internal controls for the Group to process and release internal information, the Management Regulations on Information Disclosure defines the Group's management requirements for the disclosure of information on all material events and transactions that may have a significant impact on the price of the Group's shares to investors and the public on the website of the Hong Kong Stock Exchange and/or the Group's website. The Group has developed a disclosure policy which provides a general guide to the Directors, officers, senior management and relevant employees of the Group in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

As the internal audit policy of the Group, the Management Regulations on Internal Audit defines the duties and rights of the internal audit department, the internal audit procedures and the application of audit results, which can effectively carry out risk investigation, monitoring and correction of identified potential risks and significant events, so as to eliminate the potential impact and occurrence of potential risks and make practicable follow-up plans to mitigate the identified risks.

As the reporting policy of the Group, the Reporting Management Measures allows employees and other persons who have dealings with the Group (e.g. customers and suppliers) to raise their concerns about any possible improprieties relating to the Group to the Audit Committee confidentially and anonymously. The Reporting Handling Office has reported to the Board and the Audit Committee that it has not received any concerns about possible improprieties relating to the Group.

As the Group's policy to promote and support anti-corruption laws and regulations, the Anti-fraud Regulation sets out the definition of fraud, remedial measures and penalties, with the aim of preventing and controlling fraud, strengthening the Group's internal control systems, promoting a culture of probity, standardising business practices, safeguarding the interests of the Group, and protecting the legitimate rights and interests of shareholders.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for FY2023 and ensure that the financial statements are prepared in accordance with applicable statutory requirements and financial reporting standards. Appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditors of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 67 to 74 of this annual report.

AUDITORS' REMUNERATION

The fees paid and payable to the Company's external auditors in respect of their audit and non-audit services provided to the Company for FY2023 were as follows:

	Amount HK$'000
Type of services	
Statutory audit services	1,389
Non-statutory audit services (interim review service)	595
	1,984

COMPANY SECRETARY

Ms. Cheung Yuet Fan had been appointed as the Company's company secretary since 29 May 2018, and resigned as the Company's company secretary from 1 January 2024. For FY2023, Ms. Cheung is a director of Corporate Services of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Cheung has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

Ms. Ng Ka Man has been appointed as the Company's company secretary since 1 January 2024. Ms. Ng is a senior manager of the Listing Services Department of TMF Hong Kong Limited, a global professional services provider specialising in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Mr. Liu Yefei, senior specialist of the Group, has been designated as the primary contact person at the Company who would work and communicate with company secretary on the Company's corporate governance and secretarial and administrative matters.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communications with the Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations and investor understanding of the Group's business performance and strategies. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its corporate publications including interim and annual reports as well as other announcements and circulars. The Company maintains its website (www.biitt.cn) to provide a communication channel for the public and its shareholders. All corporate communication and the Company's latest updates are available on the Company's website for public information.

The annual general meeting ("**AGM**") or extraordinary general meeting ("**EGM**") of the Company provide opportunities for direct communication between the Shareholders and the Board and the Directors are available to meet the Shareholders and answer their questions. During FY2023, an AGM was held.

The attendance records of each Director at the AGM are set out below:

Name of Directors	Meetings attended/ Number of meetings AGM
Executive Directors	
Mr. Liu Yu *(Chief Executive Officer)*	1/1
Non-executive Directors	
Mr. Guan Jifa *(Chairman)*	1/1
Ms. Sun Fang	1/1
Mr. Cao Mingda	1/1
Ms. Hou Weiwei	1/1
Independent Non-executive Directors	
Mr. Luo Zhenbang *(CPA)*	1/1
Mr. Huang Lixin	1/1
Mr. Li Wei	1/1

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

The Company engages with Shareholders through various communication channels.

Procedures for Shareholders to Convene an EGM

According to Article 12.3 of the Articles, EGM of the Company may be convened on the written requisition of any one or more members of the Company holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company, on a one vote per share basis.

If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to them by the Company.

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

According to Article 12.3 of the Articles, Shareholders may put forward proposals at Shareholders' Meetings by the written requisition of any one or more members of the Company holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company, on a one vote per share basis.

Procedures for Shareholders to Direct Enquiries to the Board

For putting enquiries to the Board, the Shareholders can contact the Company as follows:

Address:	Rm 2502, 25/F, Tower 1, Enterprise Square Five 38 Wang Chiu Road Kowloon Bay Hong Kong
Email:	IR@biitt.cn
Tel (HK):	(852) 2805 2588
Tel (Beijing):	(86) 010 8462 2731
Fax:	(852) 2805 2488
Attention:	The Board of Directors c/o Capital Operation Department

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders shall contact the Company's Hong Kong branch share registrar and transfer office as follows:

Address:	Tricor Investor Services Limited 17/F, Far East Finance Centre 16 Harcourt Road Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses, where appropriate, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 2805 2588 for any assistance.

Policies relating to Shareholders

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The Company maintains close contact with investors, continuously communicating with them through online meetings, phone calls, face-to-face conversations, and other means, and answering questions about the Group's strategic direction, business development, prospects, and other concerns at any time. Investors can also learn about the latest information of the Company through Shareholder meetings, Company websites, Shareholder inquiries, and other means. In 2023, the Group has communicated with investors and analysts more than 50 times. The Board has conducted an annual review of the implementation and effectiveness of the Shareholders Communication Policy of the Company, and considered that the policy was implemented effectively during the year.

The Company has adopted a Dividend Policy on payment of dividends, which sets out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits as dividends to the Shareholders. After the Board took comprehensive consideration of strategic planning, business expansion, operation management, dividend payout and other factors, the Group has established a sustainable, stable and scientific return mechanism for Shareholders. The mid-to-long-term dividend payout ratio is not lower than 30% in principle, which will provide Shareholders with tangible returns. The specific dividend allocation will depend on the annual results, cash flows and other factors, subject to the approval of Shareholders at the relevant annual general meeting.

Constitutional Documents

The Company has adopted the second amended and restated memorandum and articles of association of the Company by special resolutions passed on 27 June 2023 and effective on the same day. Save as disclosed above, there had been no changes in the constitutional documents of the Company during FY2023.

The second amended and restated memorandum and articles of association of the Company is available on the websites of the Stock Exchange and of the Company.

DEFINITIONS

2024 annual general meeting of the Company	"2024 AGM"
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 Beikong Telecom Technology Service Co., Ltd.* (北京北控電信通技術服務有限公司)	"Beikong Telecom"
Beijing Capital Metro Co., Ltd.* (北京京城地鐵有限公司)	"Capital Metro"
Beijing City Railway Holdings Company Limited （北京城市軌道交通控股有限公司）	"Beijing City Railway"
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 Cornerstone Vision Digital Technology Co., Ltd.* (北京基石遠景數字科技有限公司)	"Cornerstone Vision"
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 Jingtou Rail Transit Real Estate Development Co., Ltd* (北京京投軌道交通置業開發有限公司)	"BII Real Estate"
Beijing Metro Network Administration Co., Ltd.* (北京軌道交通路網管理有限公司)	"Metro Network"
Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司)	"Metro Technology"
Beijing Ruubypay Science and Technology Co., Ltd* (北京如易行科技有限公司)	"Ruubypay"

Beijing Smart City Network Co., Ltd.* (北京智慧城市網絡有限公司)	"Beijing Smart City"
Beijing SmartTOD Technology Development Co., Ltd* (北京京智網智慧科技發展有限公司)	"SmartTOD Technology"
Beiming Software Co., Ltd.* (北明軟件有限公司)	"Beiming Software"
Beijing Subway Information Development Co., Ltd. (北京地鐵信息發展有限公司)	"Information Development"
Beijing Traffic Control Silicon Valley Technology Co., Ltd.* (北京交控硅谷科技有限公司)	"Traffic Control Silicon Valley"
BII Information Security Technology Development Company Limited* (北京京投信安科技發展有限公司)	"BII Xin An"
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 Technical Equipment Group Co., Ltd.* (北京軌道交通技術裝備集團有限公司)	"BII Technical"
BII Technology Development Co., Ltd.* (北京京投卓越科技發展有限公司)	"BII-TDBJ"
BII Transit Systems (Beijing) Co., Ltd.*（億雅捷交通系統(北京)有限公司）	"BII-TSBJ"
BII Transit Systems (HK) Co., Ltd（京投交通科技(香港)有限公司）	"BII-TSHK"
BII Transportation Technology (Beijing) Co., Ltd.* (北京京投億雅捷交通科技有限公司)	"BII-TTBJ"
BII Zhongfu Technology Company Limited* (京投眾甫科技有限公司)	"BII Zhongfu"
Board of Directors	"Board"

China City Railway Transportation Technology Investment Co., Ltd. (中國城市軌道交通科技投資有限公司)	"CCRTT Investment"
For the year ended 31 December 2021	"FY2021"
For the year ended 31 December 2022	"FY2022"
For the year ended 31 December 2023	"FY2023", "Period"
Great Legend Development Limited (華駿發展有限公司)	"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"
Multiple Line Centre (多線共用線路中心)	"MLC"
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.* (蘇州華啟智能科技有限公司)	"Huaqi Intelligent"
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"
Youdao Technology Co., Ltd (友道科技有限公司, formerly known as Beijing Zhilian Youdao Technology Co., Ltd (北京智聯友道科技有限公司))	"Youdao Technology"

* *For identification purposes only*

Independent Auditor's Report

bakertilly
天職國際

Independent auditor's report to the shareholders of
BII Railway Transportation Technology Holdings Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of BII Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 75 to 160, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v).

The Key audit matter

A proportion of the Group's revenue and profits is derived from long-term contracts, most of which are fixed price contracts. The recognition of revenue over time on long-term contracts is based on the stage of completion of work performed on a contract at the reporting date. The recognition of revenue for an incomplete project is dependent on estimating the total outcome of the contract as well as the work performed to date. Forecasting the outcome of a contract involves the exercise of significant management judgement. Errors in contract forecasts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period.

We identified revenue recognition as a key audit matter because revenue is one of the key performance indicators of the Group and because there is an inherent risk that revenue could be recorded in an incorrect period or could be subject to manipulation in order to achieve financial targets and expectations.

How the matter was addressed in our audit

Our audit procedures to assess the revenue recognition included the following:

- understanding and evaluating the design and implementation of key internal controls over the revenue recognition;

- selecting a sample of contracts, using a variety of quantitative and qualitative criteria, and performing the following procedures for each contract selected:

  - inspecting key terms, including price, deliverables, timetable and milestones, set out in the contract and inquiring of the relevant project managers and engineers about key aspects of the contract, including the estimated total contract costs, key project risks, contingencies and billing schedules;

  - challenging the underlying judgements of senior operational and financial management personnel in their estimations of total estimated contract costs and estimated costs to complete the contract where it was still in progress at the reporting date by comparing their estimates with relevant underlying documentation, including suppliers' quotations and agreed contracts;

KEY AUDIT MATTERS (CONTINUED)

Revenue recognition (continued)

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(v).

The Key audit matter	How the matter was addressed in our audit
	Our audit procedures to assess the revenue recognition included the following: (continued) – comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation; – agreeing total contract revenue to the contracted terms; – recalculating the percentage of completion based on contract costs occurred up to the reporting date and estimated total contract costs; – recalculating revenue recognised to date, based on total contract revenue and the percentage of completion; and – on a sample basis, comparing management's estimated costs to complete selected contracts at the end of the previous financial year with actual costs incurred during the current year and enquiring of the management about any significant variances identified.

KEY AUDIT MATTERS (CONTINUED)

Loss allowances for trade receivables and contract assets

Refer to Notes 18(a) and 19 to the consolidated financial statements and the accounting policies in Note 2(l)(i).

The Key audit matter	How the matter was addressed in our audit
As at 31 December 2023, the Group's trade receivables and contract assets amounted to HK$806,874,000 and HK$714,262,000, respectively, which represented 17.90% and 15.84% of the total assets, respectively. The Group measures loss allowances on trade receivables and contract assets at amounts equal to lifetime expected credit losses (the "ECL") using a provision matrix which involved significant management judgement in estimating loss rate and adjusting factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date. We identified assessing loss allowances for trade receivables and contract assets as a key audit matter because of the significance of the balances of trade receivables and contract assets to the consolidated financial statements and the significant management judgement required in estimating the loss allowances at the reporting date, which can be inherently uncertain.	Our audit procedures to assess the loss allowances for trade receivables and contract assets included the following: • understanding and evaluating the design and implementation of key internal controls relating to credit control, debt collection and estimating loss allowances for trade receivables and contract assets; • evaluating the Group's policy and methodology for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standards; • on a sample basis, comparing the categorisation of trade receivables and contract assets in the ageing report with invoices issued, contract terms, contract progress reports and other relevant underlying documentation; • understanding the key data and assumptions of the expected credit loss model adopted by the management, including the basis of the segmentation of the trade receivables and contract assets based on credit risk characteristics, the historical default data, and the assumptions involved in management's estimated loss rate; • assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data and evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information; and • on a sample basis, inspecting cash receipts after 31 December 2023 from customers relating to trade receivables and contract assets balances as at 31 December 2023.

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and trademark with indefinite useful life

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(l)(ii).

The Key audit matter

As at 31 December 2023, goodwill and trademark with indefinite useful life amounted to HK$555,853,000 and HK$93,798,000, respectively.

Goodwill and trademark with indefinite useful life are assessed annually for potential impairment. Management performs impairment assessments of the cash-generating units ("CGUs") to which the assets are allocated by considering the value-in-use of these assets.

The value-in-use was determined by preparing discounted cash flow forecasts of the relevant CGUs. This involves a significant degree of management judgement, particularly the future sales growth rates, corresponding gross margin rates and the discount rates applied.

We identified assessing potential impairment of goodwill and trademark with indefinite useful life as a key audit matter because the impairment assessment of these assets involves a significant degree of management judgement in relation to the key assumptions adopted in the impairment assessment models some of which are inherently uncertain and may be subject to management bias.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill and trademark with indefinite useful life included the following:

- understanding and evaluating the design and implementation of key internal controls over the impairment assessment;
- evaluating management's identification of CGUs and the amounts of goodwill, trademark with indefinite useful life and other assets allocated to those CGUs;
- evaluating the methodology used by management in preparing the discounted cash flow forecasts with reference to requirements of the prevailing accounting standards and assessing the discount rates applied in the discounted cash flow forecasts by comparing with the range of those adopted by other companies in the same industry;
- assessing and challenging the key assumptions adopted by management in its discounted cash flow forecasts, such as the estimated future sales growth rates and corresponding gross margin rates, with reference to historical sales growth rates and corresponding profit margins rates of the individual CGUs and the financial budgets approved by the directors;
- performing a retrospective review of the prior year's discounted cash flow forecasts and comparing the forecast with the current year's actual results to assess the reliability of management's forecasting process;

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and trademark with indefinite useful life (continued)

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(l)(ii).

The Key audit matter	How the matter was addressed in our audit
	Our audit procedures to assess potential impairment of goodwill and trademark with indefinite useful life included the following: (continued) • obtaining from management sensitivity analyses of the key assumptions, including future sales growth rates, corresponding gross margin rates and the discount rates applied, adopted in the discounted cash flow forecasts and considering any indicators of management bias; and • assessing the adequacy of disclosures relating to impairment testing of goodwill and trademark with indefinite useful life in the context of the applicable financial reporting standards.

OTHER MATTERS

The consolidated financial statements of the Group for the year ended 31 December 2022 were audited by another independent auditor whose report dated 27 March 2023 expressed an unmodified opinion on those consolidated financial statements.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors of the Company are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Wan Wing Ping.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Wan Wing Ping
Practising certificate number P07471

Hong Kong, 28 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK$'000	2022 HK$'000
Revenue	4	**1,637,181**	1,638,948
Cost of sales		**(1,046,174)**	(1,052,649)
Gross profit		**591,007**	586,299
Other income	5	**38,538**	37,683
Selling, general and administrative expenses		**(266,163)**	(281,210)
Impairment loss on trade, bills and other receivables and contract assets	30(a)	**(7,403)**	(11,650)
Research and development expenses		**(170,762)**	(159,561)
Profit from operations		**185,217**	171,561
Finance costs	6(a)	**(10,456)**	(9,006)
Share of results of joint ventures and associates		**21,627**	52,912
Fair value changes in other financial assets		**7,505**	8,930
Fair value changes in contingent considerations and put-options		**–**	(1,096)
Profit before taxation	6	**203,893**	223,301
Income tax	7	**(18,165)**	(38,302)
Profit for the year		**185,728**	184,999
Attributable to:			
Equity shareholders of the Company		**174,313**	179,252
Non-controlling interests		**11,415**	5,747
Profit for the year		**185,728**	184,999
Earnings per share			
Basic and diluted (HK$)	10	**0.083**	0.085

The notes on pages 83 to 160 form part of these consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	2023 HK$'000	2022 HK$'000
Profit for the year	**185,728**	184,999
Other comprehensive income/(expense) for the year, net of tax:		
Item that will not be reclassified to profit or loss:		
Other financial assets designated at fair value		
through other comprehensive income		
Changes in fair value	**60,248**	–
Tax effect	**(9,037)**	–
	51,211	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(65,428)**	(211,774)
Other comprehensive income/(expense) for the year	**(14,217)**	(211,774)
Total comprehensive income/(expense) for the year	**171,511**	(26,775)
Attributable to:		
Equity shareholders of the Company	**161,811**	(30,060)
Non-controlling interests	**9,700**	3,285
Total comprehensive income/(expense) for the year	**171,511**	(26,775)

The notes on pages 83 to 160 form part of these consolidated financial statements.

Consolidated Statement of Financial Position

At 31 December 2023 (Expressed in Hong Kong dollars)

	Note	**2023 HK$'000**	2022 HK$'000
Non-current assets			
Property, plant and equipment	11	**223,083**	224,829
Intangible assets	12	**195,606**	208,605
Goodwill	13	**555,853**	563,880
Interests in joint ventures and associates	15	**380,125**	407,171
Other financial assets	16	**202,735**	122,736
Deferred tax assets	26(a)	**29,026**	33,946
		1,586,428	1,561,167
Current assets			
Inventories	17	**363,756**	446,197
Contract assets	18(a)	**714,262**	611,803
Trade and other receivables	19	**1,146,043**	975,942
Tax recoverable		**1,064**	–
Cash and cash equivalents	20	**697,130**	808,651
		2,922,255	2,842,593
Current liabilities			
Trade and other payables	21	**1,139,474**	1,195,345
Contract liabilities	18(b)	**45,800**	39,702
Bank borrowings	22	**76,421**	83,930
Other borrowing	23	**255,000**	–
Lease liabilities	24	**14,074**	17,640
Current taxation		**24,867**	33,404
Provision for warranties	25	**4,952**	8,461
		1,560,588	1,378,482
Net current assets		**1,361,667**	1,464,111
Total assets less current liabilities		**2,948,095**	3,025,278

Consolidated Statement of Financial Position (continued)

At 31 December 2023 (Expressed in Hong Kong dollars)

	Note	**2023 HK$'000**	2022 HK$'000
Non-current liabilities			
Other borrowing	23	**–**	300,000
Lease liabilities	24	**24,835**	22,218
Contingent considerations		**1,998**	2,027
Deferred tax liabilities	26(a)	**38,084**	43,924
Deferred income		**–**	1,772
Provision for warranties	25	**4,329**	5,544
		69,246	375,485
NET ASSETS		**2,878,849**	2,649,793
CAPITAL AND RESERVES	27		
Share capital		**20,971**	20,971
Reserves		**2,686,847**	2,552,444
Total equity attributable to equity shareholders of the Company		**2,707,818**	2,573,415
Non-controlling interests		**171,031**	76,378
TOTAL EQUITY		**2,878,849**	2,649,793

Approved and authorised for issue by the board of directors on 28 March 2024.

Liu Yu
Director

Guan Jifa
Director

The notes on pages 83 to 160 form part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Fair value reserve (non-recycling) HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2022	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 2022:										
Profit for the year	–	–	–	–	–	–	179,252	179,252	5,747	184,999
Other comprehensive expense	–	–	–	–	–	(209,312)	–	(209,312)	(2,462)	(211,774)
Total comprehensive (expense)/ income	–	–	–	–	–	(209,312)	179,252	(30,060)	3,285	(26,775)
Acquisition of non-controlling interests of a subsidiary (Note 28)	–	–	(604)	–	–	–	–	(604)	(36,392)	(36,996)
Dividends to non-controlling interests	–	–	–	–	–	–	–	–	(3,346)	(3,346)
Changes in capital reserve of associates	–	–	(785)	–	–	–	–	(785)	–	(785)
Capital contribution from ultimate holding company	–	–	1,327	–	–	–	–	1,327	–	1,327
Capital injection from non-controlling shareholder	–	–	–	–	–	–	–	–	1,097	1,097
Dividends approved in respect of the previous year (Note 27(b)(ii))	–	(56,623)	–	–	–	–	–	(56,623)	–	(56,623)
Appropriation to reserves	–	–	–	2,888	–	–	(2,888)	–	–	–
	–	(56,623)	(62)	2,888	–	–	(2,888)	(56,685)	(38,641)	(95,326)
Balance at 31 December 2022	20,971	1,662,190	26,362	86,828	–	(115,302)	892,366	2,573,415	76,378	2,649,793

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Statutory reserves HK$'000	Fair value reserve (non-recycling) HK$'000	Exchange reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2023	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 2023:										
Profit for the year	–	–	–	–	–	–	174,313	174,313	11,415	185,728
Other comprehensive income/ (expense)	–	–	–	–	51,211	(63,713)	–	(12,502)	(1,715)	(14,217)
Total comprehensive income/ (expense)	–	–	–	–	51,211	(63,713)	174,313	161,811	9,700	171,511
Acquisition of non-controlling interests of a subsidiary (Note 28)	–	–	1,279	–	–	–	–	1,279	(1,889)	(610)
Deemed partial disposal of interest in a subsidiary without losing control (Note 29)	–	–	24,134	–	–	–	–	24,134	86,842	110,976
Capital contribution from ultimate holding company	–	–	1,042	–	–	–	–	1,042	–	1,042
Dividends approved in respect of the previous year (Note 27(b)(ii))	–	(54,526)	–	–	–	–	–	(54,526)	–	(54,526)
Appropriation to reserves	–	–	–	11,645	–	–	(11,645)	–	–	–
Others	–	–	663	–	–	–	–	663	–	663
	–	(54,526)	27,118	11,645	–	–	(11,645)	(27,408)	84,953	57,545
Balance at 31 December 2023	20,971	1,607,664	53,480	98,473	51,211	(179,015)	1,055,034	2,707,818	171,031	2,878,849

The notes on pages 83 to 160 form part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	**2023 HK$'000**	2022 HK$'000
Operating activities			
Profit before taxation		**203,893**	223,301
Adjustments for:			
Depreciation and amortisation	6(c)	**86,510**	75,015
Impairment loss on trade, bills and other receivables and contract assets	30(a)	**7,403**	11,650
Impairment of prepayment	6(c)	**2,148**	–
Write down/(reversal of write down) of inventories, net	17(b)	**2,343**	(8,012)
Interest income	5	**(7,857)**	(5,976)
Gain on disposal of an associate	5	**(2,514)**	(6,392)
Finance costs	6(a)	**10,456**	9,006
Share of results of joint ventures and associates		**(21,627)**	(52,912)
Net loss/(gain) on disposal of property, plant and equipment	6(c)	**27**	(11)
Net loss/(gain) on early termination of leases	5	**30**	(47)
Release of deferred income		**(1,757)**	(3,441)
Fair value changes in other financial assets		**(7,505)**	(8,930)
Fair value changes in contingent considerations and put options		**–**	1,096
Changes in working capital:			
Decrease/(increase) in inventories		**74,178**	(3,110)
Increase in trade and other receivables		**(199,249)**	(224,780)
Increase in contract assets		**(125,681)**	(24,174)
Increase in deferred income		**–**	597
(Decrease)/increase in provision for warranties		**(4,550)**	2,323
Increase in trade and other payables		**5,995**	4,058
Increase/(decrease) in contract liabilities		**6,701**	(24,993)
Decrease/(increase) in restricted bank deposits		**12,013**	(95,962)
Cash generated from/(used in) operations		**40,957**	(131,694)
Interest received		**5,397**	5,903
Income tax paid		**(37,669)**	(29,392)
Net cash generated from/(used in) operating activities		**8,685**	(155,183)
Investing activities			
Payment for the purchase of property, plant and equipment and intangible assets		**(44,695)**	(39,576)
Proceeds from disposal of property, plant and equipment		**5**	2
Dividends received from joint ventures and associates		**9,739**	6,569
Capital injection in an associate		**(7,102)**	–
Repayment of loans to an associate		**–**	4,965
Proceeds from disposal of an associate		**–**	7,695
Net cash used in investing activities		**(42,053)**	(20,345)

Consolidated Statement of Cash Flows (continued)

For the year ended 31 December 2023 (Expressed in Hong Kong dollars)

	Note	2023 HK$'000	2022 HK$'000
Financing activities			
Payment for acquisition of non-controlling interest of a subsidiary		**(45,167)**	–
Payment for early termination of lease		**(168)**	–
Capital element of lease rentals paid	20(b)	**(20,403)**	(17,449)
Interest element of lease rentals paid	20(b)	**(2,040)**	(2,326)
Proceeds of bank borrowings	20(b)	**92,390**	88,237
Repayment of bank borrowings	20(b)	**(98,740)**	(47,560)
Repayment of other borrowing	20(b)	**(45,000)**	–
Interest paid	20(b)	**(8,437)**	(6,688)
Deemed partial disposal of interest in a subsidiary without losing control	29	**110,976**	–
Dividends paid to equity shareholders of the Company		**(54,523)**	(56,623)
Dividends paid to non-controlling interests		**(2,106)**	(2,316)
Net cash used in financing activities		**(73,218)**	(44,725)
Net decrease in cash and cash equivalents		**(106,586)**	(220,253)
Cash and cash equivalents at 1 January	20(a)	**667,370**	848,043
Effect of foreign exchange rate changes		**7,547**	39,580
Cash and cash equivalents at 31 December	20(a)	**568,331**	667,370

The notes on pages 83 to 160 form part of these consolidated financial statements.

1 GENERAL 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 Company's registered office address is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is Room 2502, 25/F, Tower 1, Enterprise Square Five, 38 Wang Chiu Road, Kowloon Bay, Hong Kong.

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.

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Material accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these consolidated financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interests in joint ventures and associates.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– investments in equity securities (see Note 2(g)); and

– contingent considerations.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

(I) NEW AND AMENDED IFRS

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

– IFRS 17, Insurance contracts

– Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

– Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

– Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

– Amendment to IAS 12, Income taxes: International tax reform – Pillar Two model rules

The Group has not applied any new and amendments to IFRSs not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRSs are discussed below:

Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

The amendments provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these consolidated financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

(I) NEW AND AMENDED IFRS (CONTINUED)

Amendments to IAS 1, Presentation of financial statements and IFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

The amendments require entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to IAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction.

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained profits or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in Note 26, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

(II) NEW HONG KONG INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS ("HKICPA") GUIDANCE ON THE ACCOUNTING IMPLICATIONS OF THE ABOLITION OF THE MPF-LSP OFFSETTING MECHANISM

In June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will come into effect from 1 May 2025 (the "Transition Date"). Once the Amendment Ordinance takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory contributions to mandatory provident fund ("MPF") scheme to reduce the long service payment ("LSP") in respect of an employee's service from the Transition Date (the abolition of the "offsetting mechanism"). In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date. In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" that provides accounting guidance relating to the abolition of the offsetting mechanism effective from 1 May 2025. The abolition of the offsetting mechanism did not have a material impact on the Group's results and financial position.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date which control commences until the date which control ceases.

Intra-group balances and transactions, and any unrealised incomes and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests ("NCI") either at fair value or at the NCI's proportionate share of the subsidiary's net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the Company. Loans from holders of NCI and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Notes 2(p) or 2(r) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(e) Associates and joint ventures

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group or the Company has joint control, whereby the Group or the Company has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ("OCI") of those investees, until the date on which significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in the associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or joint venture, after applying the expected credited losses ("ECLs") model to such other long-term interests where applicable (see Note 2(l)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interests in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

In the Company's statement of financial position, an investment in an associate or a joint venture is stated at cost less impairment losses (see Note 2(l)(ii)), unless it is classified as held for sale (or included in a disposal group classified as held for sale).

(f) Goodwill

Goodwill arising on acquisition of business is measured at cost less accumulated impairment losses and is tested annually for impairment (see Note 2(l)(ii)).

(g) Other investments in securities

The Group's policies for investments in securities, other than investments in subsidiaries, associates and joint ventures, are set out below.

Investments in securities are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 30(e). These investments are subsequently accounted for as follows, depending on their classification.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(g) Other investments in securities (continued)

(I) NON-EQUITY INVESTMENTS

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

– amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see Note 2(v)(ii)(b)), foreign exchange gain or losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

– Fair value through other comprehensive income ("FVOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial assets was measured at amortised cost. The difference between fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.

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

(II) EQUITY INVESTMENTS

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained profits and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see Note 2(v)(ii)(a)).

(h) Derivative financial instruments

Derivative financial instruments are recognised at fair value. Subsequently, they are measured at fair value with changes therein recognised in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see Note 2(l)(ii)).

– right-of-use assets arising from leases over freehold or leasehold properties where the Group is not the registered owner of the property interest; and

– items of plant and equipment, including right-of-use assets arising from leases of underlying plant and equipment (see Note 2(k)).

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components).

Any gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

	Estimated useful lives
Buildings	The shorter of 20 years or the unexpired term of lease
Right-of-use assets	Over the terms of leases
Civil communication transmission systems	The shorter of 10 years or the estimated remaining useful lives
Others	3-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(l)(ii)).

Other intangible assets, including patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see Note 2(l)(ii)).

Expenditure on internally generated goodwill and brands is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

	Estimated useful lives
Software	3-10 years
Income rights	The shorter of 13 years or the estimated remaining useful lives
Patent rights	10-15 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above. The Group treats trademark as intangible asset with indefinite useful life and reviews annually.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

AS A LESSEE

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for a short lease term of 12 months or less, and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

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

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(i) and 2(l)(ii)).

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(k) Leased assets (continued)

AS A LESSEE (CONTINUED)

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of IFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(l) Credit losses and impairment of assets

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

The Group recognises a loss allowance for ECLs on:

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

– contract assets (see Note 2(n)); and

– non-equity securities measured at FVOCI (recycling) (see Note 2(g)(i)).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(i) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if effect is material:

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

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

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

ECLs are measured on either of the following bases:

– 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period of expected life of instruments less than 12 months); and

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

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

– financial instruments that are determined to have low credit risk at the reporting date; and

– other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Significant increases in credit risk

When determining whether the credit risk of a financial instrument has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, that includes forward-looking information.

The Group considers a financial asset to be in default when:

– the debtor is unlikely to pay its credit obligations to the group in full, without recourse by the Group to actions such as realising security (if any is held); or

– the financial asset is 90 days past due.

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in consolidated statement of financial position.

Credit-impaired financial assets

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

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

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or past due event;

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

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

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

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(I) CREDIT LOSSES FROM FINANCIAL INSTRUMENTS AND CONTRACT ASSETS (CONTINUED)

Write-off policy

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

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

(II) IMPAIRMENT OF OTHER NON-CURRENT ASSETS

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU"s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(l) Credit losses and impairment of assets (continued)

(III) INTERIM FINANCIAL REPORTING AND IMPAIRMENT

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with IAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(l)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 2(v)) before being unconditionally entitled to the consideration under the terms in the contract. Contract assets are assessed for ECLs (see Note 2(l)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 2(v)). A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see Note 2(o)).

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)).

(o) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost (see Note 2(l)(i)).

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(p) Trade and other payables (other than refund liabilities)

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(q) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECLs (see Note 2(l)(i)).

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these borrowings are stated at amortised cost using the effective interest method.

(s) Employee benefits

(I) SHORT-TERM EMPLOYEE BENEFITS AND CONTRIBUTIONS TO DEFINED CONTRIBUTION RETIREMENT PLANS

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(II) TERMINATION BENEFITS

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises cost for a restructuring.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity, or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

– temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;

– temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;

– taxable temporary differences arising on the initial recognition of goodwill; and

– those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(t) Income tax (continued)

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(u) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

A provision for warranties is recognised when the underlying products or services are sold, based on historical warranty data and a weighting of possible outcomes against their associated probabilities.

A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under that contract and an allocation of other costs directly related to fulfilling that contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract (see note 2(l)(ii)).

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods or the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(I) REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for a presented on a net basis.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (continued)

(I) REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTINUED)

(a) Provision of services

Data and integration services

Revenue from provision of data and integration services is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs, which provides a faithful depiction of the transfer of those services.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 2(u).

Data transmission network services under intelligent infrastructure business

Revenue arising from data transmission network services is recognised over time based on the output method, either as the service allowance units are used or as time elapses, because it reflects the pattern by which the Group satisfies the performance obligation through the rendering of services to the customer.

Maintenance services

Revenue arising from maintenance services is recognised over time as these services are provided.

(b) Sale of hardware and software products

Revenue arising from the sales of hardware and software products is recognised when the customer takes possession of and accepts the products. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(v) Revenue and other income (continued)

(II) REVENUE FROM OTHER SOURCES AND OTHER INCOME

(a) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(b) Interest income

Interest income is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the gross carrying amount of the financial asset. In calculating interest income, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired). However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

(c) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them.

Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of investment in equity securities designated as at FVOCI (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss) are recognised in OCI.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(y) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 MATERIAL ACCOUNTING POLICIES (CONTINUED)

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Sources of estimation uncertainty

Notes 25 and 30 contain information about the assumptions and their risk factors relating to estimation of provision for warranties and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) REVENUE RECOGNITION

As explained in policy Note 2(v)(i)(a), revenue from service contracts are recognised over time. Such revenue and profit recognition on uncompleted projects is dependent on estimating the total outcome of the contract, as well as the work done to date.

Based on the Group's recent experience and the nature of the manufacturing and construction activities undertaken by the Group, the Group has made estimates of the point at which it considered the work was sufficiently advanced such that the outcome of the contract can be reasonably measured. The Group prepares budgets for service contracts individually and the budget, which is used in the Group's financial reporting, is reviewed regularly. Onerous contracts are provided for when identified. Material adjustments to the budgeted costs may occur in future if there is a significant change in the market environment.

(b) EXPECTED CREDIT LOSSES FOR TRADE RECEIVABLES AND CONTRACT ASSETS

The credit losses for trade receivables and contract assets are based on assumptions about the expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 30(a). Changes in these assumptions and estimated could materially affect the result of the assessment and it may be necessary to make additional impairment charge to profit or loss.

(c) IMPAIRMENT OF GOODWILL AND TRADEMARK WITH INDEFINITE USEFUL LIFE

The Group determines whether goodwill and trademark with indefinite useful life are impaired at least on an annual basis. This requires an estimation of the value in use of the CGUs. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGUs and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Details of impairment testing of goodwill and trademark with indefinite useful life are set out in Notes 12 and 13.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Sources of estimation uncertainty (continued)

(d) DEFERRED TAX

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are (i) provision of hardware and software products and services of high-speed railways, intercity railways, suburban railways and metro system; (ii) provision of hardware and software products and services of intelligent railways transportation and intelligent operation and maintenance; (iii) provision of 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.

(I) DISAGGREGATION OF REVENUE

	2023 HK$'000	2022 HK$'000
Revenue from contracts with customers within the scope of IFRS 15 (re-presented)		
Disaggregated by major service lines		
– Revenue from intelligent passenger information services	**770,937**	742,217
– Revenue from data and integration services	**577,432**	662,014
– Revenue from intelligent infrastructure	**288,812**	234,717
	1,637,181	1,638,948

For the year ended 31 December 2023, revenues from transactions with nil customer (2022: one customer) has exceeded 10% of the Group's revenue:

	2023 HK$'000	2022 HK$'000
Customer A	**N/A(Note)**	198,924

Note: The corresponding revenue does not contribute over 10% of the total revenue of the Group.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(a) Revenue (continued)

(II) REVENUE EXPECTED TO BE RECOGNISED IN THE FUTURE ARISING FROM CONTRACTS WITH CUSTOMERS IN EXISTENCE AT THE REPORTING DATE

As at 31 December 2023, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$2,533,401,000 (2022: HK$2,564,283,000). This amount represents revenue expected to be recognised in the future from intelligent passenger information services contracts, data and integration services contracts and intelligent infrastructure contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 to 48 months (2022: next 1 to 24 months).

The above amount does not include any amounts of completion bonuses that the Group may earn in the future by meeting the conditions set out in the Group's service contracts with customers, unless at the reporting date it is highly probable that the Group will satisfy the conditions for earning those bonuses.

(b) Segment reporting

The Group manages its businesses by business lines in a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessments.

In prior years, the Group identified three reportable segments. Starting from the current financial year, 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 year's presentation. The Group now presents the following four 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.

No operating segments have been aggregated to form the above reportable segments.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The management is provided with segment information concerning inter-segment sales, inter-segment sales are priced with reference to prices charged to external parties for similar orders. The measure used for reporting segment profit is gross profit. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss on trade, bills and other receivables and contract assets, research and development expenses, finance costs, fair value changes in other financial assets, and fair value changes on contingent considerations and put-options, are not allocated to individual segments.

There were no separate segment assets and segment liabilities information provided to the Group's senior executive management, as they do not use this information to allocate resources to or evaluate the performance of the operating segments.

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 years ended 31 December 2023 and 2022 is set out below.

	2023				
	Intelligent passenger information services HK$'000	Data and integration services HK$'000	Intelligent infrastructure HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition					
Point in time	**724,706**	**458,327**	**64,556**	**–**	**1,247,589**
Over time	**46,231**	**119,105**	**224,256**	**–**	**389,592**
Revenue from external customers	**770,937**	**577,432**	**288,812**	**–**	**1,637,181**
Inter-segment revenue	**13,667**	**13,014**	**20,269**	**–**	**46,950**
Reportable segment revenue	**784,604**	**590,446**	**309,081**	**–**	**1,684,131**
Reportable segment profit	**294,595**	**136,268**	**160,144**	**–**	**591,007**
Share of results of joint ventures and associates	**–**	**–**	**–**	**21,627**	**21,627**

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(I) SEGMENT RESULTS (CONTINUED)

	2022 (re-presented)				
	Intelligent passenger information services HK$'000	Data and integration services HK$'000	Intelligent infrastructure HK$'000	Business development investment HK$'000	Total HK$'000
Disaggregated by timing of revenue recognition					
Point in time	709,149	504,163	12,387	–	1,225,699
Over time	33,068	157,851	222,330	–	413,249
Revenue from external customers	742,217	662,014	234,717	–	1,638,948
Inter-segment revenue	15,503	982	5,747	–	22,232
Reportable segment revenue	757,720	662,996	240,464	–	1,661,180
Reportable segment profit	338,435	123,211	124,653	–	586,299
Share of results of joint ventures and associates	–	–	–	52,912	52,912

(II) RECONCILIATION OF REPORTABLE SEGMENT PROFIT OR LOSS

	2023 HK$'000	2022 HK$'000
Reportable segment profit	**591,007**	586,299
Share of results of joint ventures and associates	**21,627**	52,912
Other income	**38,538**	37,683
Selling, general and administrative expenses	**(266,163)**	(281,210)
Impairment loss on trade, bills and other receivables and contract assets	**(7,403)**	(11,650)
Research and development expenses	**(170,762)**	(159,561)
Finance costs	**(10,456)**	(9,006)
Fair value changes in other financial assets	**7,505**	8,930
Fair value changes in contingent considerations and put-options	**–**	(1,096)
Profit before taxation	**203,893**	223,301

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(III) GEOGRAPHIC INFORMATION

Disaggregation of revenue from contracts with customers by geographical location of customers is as follows:

	2023 HK$'000	2022 HK$'000
– Mainland China	**1,561,723**	1,567,732
– Hong Kong	**24,688**	35,991
– Overseas	**50,770**	35,225
	1,637,181	1,638,948

The Group's non-current assets, including property, plant and equipment, intangible assets, goodwill and interests in joint ventures and associates, are substantially all located or allocated to operations located in The People's Republic of China (the "PRC").

5 OTHER INCOME

	2023 HK$'000	2022 HK$'000
Interest income	**7,857**	5,976
Government grants	**29,300**	23,594
Gain on disposal of an associate	**2,514**	6,392
Net foreign exchange (loss)/gain	**(2,418)**	40
Net (loss)/gain on early termination of leases	**(30)**	47
Others	**1,315**	1,634
	38,538	37,683

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2023 HK$'000	2022 HK$'000
Interest on bank borrowings	**3,447**	1,456
Interest on other borrowing	**4,969**	5,224
Interest on lease liabilities	**2,040**	2,326
	10,456	9,006

(b) Staff costs

	2023 HK$'000	2022 HK$'000
Salaries, wages and other benefits	**275,497**	299,784
Contributions to defined retirement plans	**21,247**	23,182
	296,744	322,966

The employees of the subsidiaries of the Group established in Mainland China participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby these subsidiaries are required to contribute to the scheme at a rate of 16% of the employees' basic salaries. Employees of these subsidiaries are entitled to retirement benefits, calculated based on a percentage of the average salaries level in Mainland China, from the above mentioned retirement scheme at their normal retirement age.

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed by the Group's subsidiaries incorporated in Hong Kong under a trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. Contributions to the MPF Scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

6 PROFIT BEFORE TAXATION (CONTINUED)

(c) Other items

	Note	2023 HK$'000	2022 HK$'000
Auditors' remuneration:			
– statutory audit services		**1,389**	3,245
– non-audit services		**595**	741
Amortisation of intangible assets	12	**23,454**	24,004
Depreciation charge	11(a)		
– owned property, plant and equipment		**37,669**	33,830
– right-of-use assets		**25,387**	17,181
Cost of inventories (Note)	17(b)	**753,714**	802,843
Impairment loss on trade, bills and other receivables and contract assets		**7,403**	11,650
Impairment of prepayment		**2,148**	–
Expense relating to short-term leases, which not included in the measurement of lease liabilities		**5,357**	10,345
Net loss/(gain) on disposal of property, plant and equipment		**27**	(11)

Note:

Cost of inventories includes HK$83,636,000 (2022: HK$105,341,000) relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 6(b) for each of these types of expenses.

7 INCOME TAX

(a) Income tax in the consolidated statement of profit or loss represents:

	2023 HK$'000	2022 HK$'000
Current taxation – The PRC Enterprise Income Tax ("EIT"):		
– Provision for the year	**18,289**	29,368
– Withholding tax on dividend income (Note 7(b)(ix))	**8,463**	5,429
	26,752	34,797
Current taxation – Hong Kong Profits Tax:		
– Provision for the year	**1,111**	2,284
– Over-provision for in prior years	**(227)**	–
	884	2,284
Current taxation – India Profits Tax:		
– Provision for the year	**347**	1,207
Deferred taxation:		
– Origination and reversal of temporary differences	**(9,818)**	14
	18,165	38,302

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 HK$'000	2022 HK$'000
Profit before taxation	**203,893**	223,301
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii), (iii) and (iv))	**64,890**	52,670
Tax effect of non-deductible expenses	**5,949**	27,109
Tax effect of share of results of joint ventures and associates	**(1,227)**	(9,799)
Tax effect of non-taxable interest income	**(298)**	(141)
Tax effect of foreign exchange gain/loss	**134**	395
Tax effect of utilisation/recognition of prior years' tax losses and temporary differences previously not recognised	**(4,742)**	(97)
Tax effect of tax losses and deductible temporary differences not recognised	**1,450**	9,461
Tax effect of withholding tax in connection with the distributions made by subsidiaries and joint ventures (Note (ix))	**8,463**	5,429
Tax concessions (Notes (v), (vi), (vii) and (viii))	**(56,227)**	(46,725)
Over-provision in prior years	**(227)**	–
Income tax	**18,165**	38,302

7 INCOME TAX (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates: (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 year ended 31 December 2023 (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% (2022: 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 incorporated in jurisdictions other than the PRC, Hong Kong and India are not subject to any income tax, pursuant to the rules and regulations of their respective jurisdictions of incorporation.

(iii) The subsidiary incorporated in India is subject to India Profits Tax rate of 25% for the year ended 31 December 2023 (2022: 25%).

(iv) The subsidiaries of the Group established in the PRC are subject to PRC EIT rate of 25% for the year ended 31 December 2023 (2022: 25%).

(v) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed the preferential PRC EIT rate of 15% for the year ended 31 December 2023 (2022: 15%). In addition to the preferential PRC EIT rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 80%/100% of the qualified research and development costs incurred by these subsidiaries (2022: 75%/100%).

(vi) Certain subsidiaries of the Group engaged in the encouraged industries in western region of PRC and enjoyed a preferential PRC EIT rate of 15% for the year ended 31 December 2023 (2022: 15%).

(vii) Certain subsidiaries of the Group were designated as software enterprises. As such, these subsidiaries were entitled to a two years' exemption from the PRC EIT followed by three years of 50% the PRC EIT reduction. As a result, these subsidiaries enjoyed an exemption from the PRC EIT or 50% the PRC EIT reduction in for the year ended 31 December 2023.

(viii) During the year ended 31 December 2023, certain subsidiaries of the Group met the criteria of Small Low-profit Enterprise and enjoyed a preferential income tax policy. As such, for these subsidiaries, the first Renminbi ("RMB") 1 million of taxable profits are taxed at an effective tax rate of 2.5% (2022: 2.5%); the second and third RMB1 million of taxable profits are taxed at an effective tax rate of 5% (2022: 5%).

(ix) Under the Law of the PRC EIT, 10% (2022: 10%) withholding tax is levied on dividend from enterprises established in the PRC to foreign enterprises.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Ms. Xuan Jing (resigned on 21 March 2023)	–	135	155	28	318
Mr. Liu Yu	–	580	1,055	114	1,749
Non-executive directors					
Mr. Cao Mingda (Note (ii))	–	–	–	–	–
Mr. Guan Jifa (Note (ii))	–	–	–	–	–
Ms. Sun Fang (Note (ii))	–	–	–	–	–
Ms. Hou Weiwei (Note (ii))	–	–	–	–	–
Independent non-executive directors					
Mr. Luo Zhenbang	240	–	–	–	240
Mr. Huang Lixin	240	–	–	–	240
Mr. Li Wei	240	–	–	–	240
	720	715	1,210	142	2,787

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2022				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Ms. Xuan Jing (resigned on 21 March 2023)	–	617	1,098	108	1,823
Mr. Liu Yu (appointed on 30 November 2022)	–	509	862	108	1,479
Non-executive directors					
Mr. Zhang Yanyou (resigned on 30 November 2022) (Note (ii))	–	–	–	–	–
Mr. Cao Wei (resigned on 11 April 2022)	100	8	–	5	113
Mr. Cao Mingda (appointed on 11 April 2022) (Note (ii))	–	–	–	–	–
Mr. Guan Jifa (Note (ii))	–	–	–	–	–
Mr. Zheng Yi (resigned on 27 October 2022) (Note (ii))	–	–	–	–	–
Ms. Sun Fang (appointed on 27 October 2022) (Note (ii))	–	–	–	–	–
Ms. Hou Weiwei (appointed on 29 June 2022) (Note (ii))	–	–	–	–	–
Ms. Gu Xiaohui (resigned on 29 March 2022) (Note (ii))	–	–	–	–	–
Independent non-executive directors					
Mr. Bai Jinrong (resigned on 11 April 2022)	66	–	–	–	66
Mr. Luo Zhenbang	240	–	–	–	240
Mr. Huang Lixin	240	–	–	–	240
Mr. Li Wei (appointed on 11 April 2022)	174	–	–	–	174
	820	1,134	1,960	221	4,135

Notes:

(i) There were no amounts paid during the year ended 31 December 2023 to the directors or any of the five highest paid individuals set out in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office.

(ii) During the year ended 31 December 2023, the four (2022: seven) directors agreed to waive their entitlements to directors' fees totally amounted to HK$960,000 (2022: HK$1,040,000). Other than the aforementioned, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2022: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (2022: three) individuals are as follows:

	2023 HK$'000	2022 HK$'000
Salaries, allowances and benefits in kind	**1,899**	1,479
Discretionary bonuses	**3,679**	2,356
Retirement scheme contributions	**456**	325
	6,034	4,160

The emoluments of the four (2022: three) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2023	2022
HK$1,000,001 – HK$1,500,000	**1**	3
HK$1,500,001 – HK$2,000,000	**3**	–

10 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2023 is based on the profit attributable to ordinary equity shareholders of the Company of HK$174,313,000 (2022: HK$179,252,000) and the weighted average of 2,097,147,000 ordinary shares (2022: 2,097,147,000 ordinary shares) in issue during the year.

The Group has no dilutive ordinary shares outstanding for the years ended 31 December 2023 and 2022. Therefore, there was no difference between basic and diluted earnings per share.

11 PROPERTY, PLANT AND EQUIPMENT

(a) Reconciliation of carrying amount

	Ownership interests in land and buildings held for own use HK$'000	Other properties leased for own use HK$'000	Civil communication transmission systems HK$'000	Other plant and equipment HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:						
At 1 January 2022	19,327	79,435	343,889	37,516	12,621	492,788
Additions	–	1,795	4,890	14,505	66,719	87,909
Early termination of leases	–	(3,533)	–	–	–	(3,533)
Disposals	–	–	–	(593)	–	(593)
Transfer	–	–	57,432	–	(57,432)	–
Exchange adjustments	(1,638)	(5,913)	(31,270)	(3,830)	(1,387)	(44,038)
At 31 December 2022 and 1 January 2023	**17,689**	**71,784**	**374,941**	**47,598**	**20,521**	**532,533**
Additions	**–**	**27,591**	**–**	**9,809**	**31,617**	**69,017**
Lease modification	**–**	**(3,930)**	**–**	**–**	**–**	**(3,930)**
Early termination of leases	**–**	**(7,542)**	**–**	**–**	**–**	**(7,542)**
Write-off/disposals	**–**	**–**	**–**	**(4,193)**	**–**	**(4,193)**
Transfer	**–**	**–**	**40,003**	**4,146**	**(44,149)**	**–**
Exchange adjustments	**(252)**	**(80)**	**(5,020)**	**(235)**	**(221)**	**(5,808)**
At 31 December 2023	**17,437**	**87,823**	**409,924**	**57,125**	**7,768**	**580,077**
Accumulated depreciation and impairment:						
At 1 January 2022	3,593	19,302	240,679	21,243	–	284,817
Charge for the year	609	17,181	22,048	11,173	–	51,011
Early termination of leases	–	(1,992)	–	–	–	(1,992)
Written back on disposals	–	–	–	(555)	–	(555)
Exchange adjustments	(245)	(1,758)	(21,148)	(2,426)	–	(25,577)
At 31 December 2022 and 1 January 2023	**3,957**	**32,733**	**241,579**	**29,435**	**–**	**307,704**
Charge for the year	**879**	**25,387**	**22,858**	**13,932**	**–**	**63,056**
Early termination of leases	**–**	**(4,237)**	**–**	**–**	**–**	**(4,237)**
Write-off/written back	**–**	**–**	**–**	**(4,161)**	**–**	**(4,161)**
Exchange adjustments	**(132)**	**(18)**	**(5,142)**	**(76)**	**–**	**(5,368)**
At 31 December 2023	**4,704**	**53,865**	**259,295**	**39,130**	**–**	**356,994**
Carrying amount:						
At 31 December 2023	**12,733**	**33,958**	**150,629**	**17,995**	**7,768**	**223,083**
At 31 December 2022	13,732	39,051	133,362	18,163	20,521	224,829

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Right-of-use assets

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	2023 HK$'000	2022 HK$'000
Buildings leased for own use, carried at depreciated cost	**33,958**	39,051

The Group has obtained the right to use office premises through tenancy agreements. The leases typically run for an initial period of 24 to 60 months.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2023 HK$'000	2022 HK$'000
Depreciation charge of properties leased for own use, carried at depreciated cost	**25,387**	17,181
Interest on lease liabilities (Note 6(a))	**2,040**	2,326
Expense relating to short-term leases, which not included in the measurement of lease liabilities	**5,357**	10,345

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Notes 20(c) and 24, respectively.

12 INTANGIBLE ASSETS

	Software HK$'000	Income rights HK$'000	Patent rights HK$'000	Trademark HK$'000	Total HK$'000
Cost:					
At 1 January 2022	58,900	115,335	61,788	103,963	339,986
Additions	21,689	–	–	–	21,689
Exchange adjustments	(6,094)	(9,774)	(6,447)	(8,810)	(31,125)
At 31 December 2022 and 1 January 2023	**74,495**	**105,561**	**55,341**	**95,153**	**330,550**
Additions	**14,056**	**–**	**–**	**–**	**14,056**
Exchange adjustments	**(2,201)**	**(1,502)**	**(788)**	**(1,355)**	**(5,846)**
At 31 December 2023	**86,350**	**104,059**	**54,553**	**93,798**	**338,760**
Accumulated amortisation:					
At 1 January 2022	23,242	66,560	17,818	–	107,620
Charge for the year	8,836	9,314	5,854	–	24,004
Exchange adjustments	(2,010)	(5,959)	(1,710)	–	(9,679)
At 31 December 2022 and 1 January 2023	**30,068**	**69,915**	**21,962**	**–**	**121,945**
Charge for the year	**10,038**	**7,885**	**5,531**	**–**	**23,454**
Exchange adjustments	**(864)**	**(1,038)**	**(343)**	**–**	**(2,245)**
At 31 December 2023	**39,242**	**76,762**	**27,150**	**–**	**143,154**
Carrying amount:					
At 31 December 2023	**47,108**	**27,297**	**27,403**	**93,798**	**195,606**
At 31 December 2022	44,427	35,646	33,379	95,153	208,605

Note: The amortisation charges for the year of software, income rights and patent rights are included in "cost of sales", "selling, general and administrative expenses" and "research and development expenses" in the consolidated statement of profit or loss.

13 GOODWILL

	2023 HK$'000	2022 HK$'000
Cost:		
At 1 January	**623,988**	681,761
Exchange adjustments	**(8,883)**	(57,773)
At 31 December	**615,105**	623,988
Impairment losses:		
At 1 January	**60,108**	65,673
Exchange adjustments	**(856)**	(5,565)
At 31 December	**59,252**	60,108
Carrying amount:		
At 31 December	**555,853**	563,880

Impairments tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's CGUs identified according to the operations of the Group as follows:

	2023 HK$'000	2022 HK$'000
Operations in the provision of intelligent passenger information services (Note (i))	**493,846**	500,977
Operations in the provision of data and integration services (Note (ii))	**52,113**	52,866
Operations related to the intelligent infrastructure business (Note (iii))	**9,894**	10,037
	555,853	563,880

Notes:

(i) Goodwill arose from the Group's acquisition of the 95% equity interests in Suzhou Huaqi Intelligent Technology Co., Ltd. ("Huaqi Intelligent") (蘇州華啟智能科技股份有限公司) (formerly known as: 蘇州華啟智能科技有限公司) in 2019.

(ii) Goodwill mainly arose from the Group's acquisition of the 100% equity interests in Innovation Holding Co., Ltd. in 2013.

(iii) Goodwill arose from the Group's acquisition of the intelligent infrastructure business in 2014.

(Expressed in Hong Kong dollars)

13 GOODWILL (CONTINUED)

Key assumptions

The recoverable amounts of the CGU of operations in provision of intelligent passenger information services, the CGU of operations in provision of data and integration services and the CGU of operations related to the intelligent infrastructure business were determined based on value-in-use calculations. Their calculations used cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using a steady growth rate. The cash flows are discounted using a discount rate, which are pre-tax and reflect specific risks relating to the relevant segments.

The key assumptions used in the value-in-use calculation for the three CGUs include:

	2023	2022
Operations in the provision of intelligent passenger information services		
– Steady growth rate	**2.99%**	2.12%
– Pre-tax discount rate	**11.39%**	12.22%
Operations in the provision of data and integration services		
– Steady growth rate	**2.71%**	2.60%
– Pre-tax discount rate	**13.97%**	14.87%
Operations related to the intelligent infrastructure business		
– Steady growth rate	**2.60%**	2.60%
– Pre-tax discount rate	**14.29%**	15.06%

(Expressed in Hong Kong dollars)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of subsidiary	Place of establishment/ incorporation and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest		Principal activities
			The Group's effective interest	Held by subsidiaries	
BII Transit Systems (Beijing) Co., Ltd.*# 億雅捷交通系統(北京)有限公司	The PRC	RMB50,000,000	100%	100%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, sale of related software, hardware and spare parts in utility tunnel areas
BII Transit Systems (HK) Co., Ltd.	Hong Kong	1,000 shares	100%	100%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies
BII Transportation Technology (Beijing) Co., Ltd.* 北京京投億雅捷交通科技有限公司	The PRC	RMB130,000,000	100%	100%	Design, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, sale of related software, hardware and spare parts in utility tunnel areas
BII Technology Development Co., Ltd.* 北京京投卓越科技發展有限公司	The PRC	RMB300,000,000	100%	100%	Provision of civil communication transmission services, design, implementation and sale of related software
China City Railway Transportation Technology Investment Company Limited ("CCRTT Investment")	Hong Kong	18,000,010 shares	70%	70%	Investment holding
BII Information Security Technology Development Co., Ltd.* 北京京投信安科技發展有限公司	The PRC	RMB50,000,000	51%	51%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies

(Expressed in Hong Kong dollars)

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiary	Place of establishment/ incorporation and operations	Particulars of registered/issued and paid-up capital	Proportion of ownership interest		Principal activities
			The Group's effective interest	Held by subsidiaries	
Huaqi Intelligent*# 蘇州華啟智能科技有限公司	The PRC	RMB215,873,016	91.4% (Note)	91.4%	Design, production and sale of produce on-board passenger information system ("on-board PIS"), train control and remote diagnosis system and train network control system
Litmus Technologies (Beijing) Co., Ltd. ("Litmus")* 北京樂碼仕智能科技有限公司	The PRC	RMB14,285,700	51%	51%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies and sale of related software

* The official name of the entity is in Chinese. The English name is for identification purpose only.

\# These companies are foreign owned enterprises established in the PRC.

Note:

On 8 August 2023, Huaqi Intelligent, a non-wholly owned subsidiary of the Company, entered into a capital injection agreement with Suzhou Rail Transit Group Co., Ltd. ("Suzhou Rail Transit") (蘇州市軌道交通集團有限公司), an independent third party, pursuant to which Suzhou Rail Transit agreed for the injection of RMB100,000,000 (equivalent to HK$110,976,000) 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 was diluted from 98.7% to approximately 91.4%.

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the financial information of CCRTT Investment, Huaqi Intelligent and Litmus, the major subsidiaries of the Group which have material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	CCRTT Investment		Huaqi Intelligent		Litmus	
	2023	2022	**2023**	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Effective NCI percentage	**30%**	30%	**8.56%**	1.3%	**49%**	49%
Revenue	**–**	–	**711,992**	634,165	**104,178**	51,500
Profit for the year	**413**	15,229	**80,403**	93,352	**11,759**	338
Profit attributable to NCI	**124**	4,569	**9,821**	4,254	**5,762**	166
Non-current assets	**78,386**	80,250	**228,969**	83,171	**8,776**	1,360
Current assets	**3,362**	9,049	**1,261,185**	1,265,831	**124,738**	82,203
Current liabilities	**60**	8,024	**428,833**	468,152	**67,571**	35,100
Non-current liabilities	**–**	–	**9,553**	7,648	**5,441**	–
Net assets	**81,688**	81,275	**1,051,768**	873,202	**60,502**	48,463
Net assets attributable to NCI	**24,506**	24,383	**90,031**	11,352	**29,646**	23,747
Dividends paid to NCI	**2,106**	–	**–**	966	**–**	1,314
Cashflows from operating activities	**3,930**	(40)	**(128,165)**	(114,244)	**15,722**	(4,567)
Cashflows from investing activities	**2,700**	1,078	**25,850**	39,598	**(211)**	150
Cashflows from financing activities	**(8,020)**	–	**112,761**	1,873	**–**	(2,565)

(Expressed in Hong Kong dollars)

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES

The following list contains the particulars of joint ventures and associates, all of which are unlisted corporate entities whose quoted market price is not available:

Name of joint venture/ associate	Note	Place of establishment and operations	Particulars of registered and paid up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Joint ventures							
Beijing Metro Science and Technology Development Co., Ltd. ("Metro Science and Technology")* 北京地鐵科技發展有限公司	(i)	The PRC	RMB30,000,000	49.00%	–	49.00%	Maintenance of application solutions for the networking and controlling systems of public transport companies
Beijing Metro Co., Ltd. ("Beijing Metro")* 北京京城地鐵有限公司	(ii)	The PRC	RMB500,000,000	49.00%	49.00%	–	Subway operations management
Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership) ("Chuangying Centre")* 北京基石創盈投資管理中心（有限合夥）	(iii)	The PRC	RMB2,000,000	20.00%	–	20.00%	Management of assets and investment
Associates							
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）	(iv)	The PRC	RMB298,000,000	8.39%	–	8.39%	Investment holding
Suzhou YQK Electronic Technology Co., Ltd.* 蘇州易啟康電子科技有限公司	(iv)	The PRC	RMB14,350,000	13.94%	–	13.94%	Research and Production of "on-board PIS" products
Suzhou Shida Xunyuan Electronic Technology Co., Ltd.* 蘇州視達訊遠電子科技有限公司	(iv)	The PRC	RMB6,400,000	20.00%	–	20.00%	Production of railway accessories
Zhongci Jiangsu Transportation Industry Co.,Ltd.* 中磁江蘇交通產業股份有限公司	(iv)	The PRC	RMB7,771,529	25.73%	–	25.73%	Production of railway accessories
Tianjin Wuyang Zhitong Intelligent Technology Co., Ltd.* 天津五洋智通智慧科技有限公司	(iv)	The PRC	RMB10,000,000	49.00%	–	49.00%	Production of railway accessories
Beijing Smart TOD Technology Development Co., Ltd.* 北京京智網智慧科技發展有限公司	(iv)	The PRC	RMB20,000,000	32.00%	–	32.00%	Technology promotion and application services

* The official name of the entity is in Chinese. The English name is for identification purpose only.

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Notes:

(i) Metro Science and Technology was established on 18 February 2016 by the Group, through a subsidiary, with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the maintenance of application solutions for the networking and controlling systems of public transport in Mainland China. Metro Science and Technology is a private company whose quoted market price is not available.

(ii) Beijing Metro was established on 15 February 2016 by the Company with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the operational management for subway lines in Beijing. Beijing Metro is a private company whose quoted market price is not available.

(iii) The Group is a limited partner of Chuangying Centre, which are partnership entity and have two other partners. The Group provided 20% capital contribution into this partnership entity. Pursuant to the partnership agreement, the Group has joint control over the governing body of respective partnership.

(iv) According to the investment agreements or articles of these companies, the Group has rights to designate one or more directors in these companies.

(v) During the year ended 31 December 2023, the associate, Guangdong Zhongcheng Transportation Technology Co., Ltd., has been disposed of for a consideration of RMB6,920,000 (equivalent to approximately HK$7,680,000), resulting in a gain on disposal of an associate of approximately HK$2,514,000.

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

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Summarised financial information of the material joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Metro Science and Technology		Beijing Metro	
	2023	2022	**2023**	2022
	HK$'000	HK$'000	**HK$'000**	HK$'000
Gross amounts of the joint ventures				
Current assets	**426,250**	472,838	**359,144**	403,959
Non-current assets	**13,468**	12,582	**1,224,452**	1,421,947
Current liabilities	**289,487**	321,638	**117,737**	169,542
Non-current liabilities	**–**	–	**965,571**	1,126,951
Net assets	**150,231**	163,782	**500,288**	529,413
Included in the above assets and liabilities:				
Cash and cash equivalents	**134,728**	106,688	**38,434**	113,510
Current financial liabilities (excluding trade and other payables and provisions)	**12,589**	7,289	**211**	3,157
Revenue	**406,886**	474,671	**409,965**	418,235
Profit and total comprehensive (expense)/income for the year ended 31 December	**(13,107)**	31,447	**(25,232)**	50,884
Dividends from joint ventures	**2,700**	2,103	**886**	3,783
Included in the above profit:				
Depreciation	**882**	1,151	**1,434**	64,177
Interest income	**8**	606	**132**	548
Interest expense	**–**	–	**38,412**	44,826
Income tax	**(1,296)**	3,538	**8,924**	5,448
Reconciled to the Group's interests in the joint ventures				
Gross amounts of the joint ventures' net assets	**150,231**	163,782	**500,288**	529,413
Group's effective interest	**49%**	49%	**49%**	49%
Carrying amounts in the consolidated financial statements	**73,613**	80,253	**245,141**	259,412

15 INTERESTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

Aggregate information of joints ventures and associates that are not individually material are listed below:

	2023 HK$'000	2022 HK$'000
Aggregate carrying amount of individually immaterial joint ventures and associates in the consolidated financial statements	**61,371**	67,506
Aggregate amounts of the Group's share of those joint ventures and associates' profit	**7,527**	12,570

16 OTHER FINANCIAL ASSETS

	Note	**2023 HK$'000**	2022 HK$'000
Non-current assets			
Financial assets measured at FVPL			
– Beijing Cornerstone Huiying Venture Capital Investment Centre (Limited Liability Partnership) ("Cornerstone Huiying")* 北京基石慧盈創業投資中心(有限合夥)	(i)	**36,263**	31,342
– Youdao Technology Co., Ltd. ("Youdao Technology")* 友道科技有限公司	(ii)	**40,672**	39,133
		76,935	70,475
Equity securities designated at FVOCI (non-recycling)			
– Beijing Ruubypay Science and Technology Co., Ltd. ("Ruubypay")* 北京如易行科技有限公司	(iii)	**125,800**	52,261
		202,735	122,736

* The official name of the entity is Chinese. The English name is for identification purpose only.

Notes:

(i) The Group holds 5% (2022: 5%) ownership interest in Cornerstone Huiying, which was established on 19 August 2020 and engaged in providing equity investment services.

(ii) The Group holds 7.14% (2022: 7.14%) ownership interest in Youdao Technology, which was established on 10 March 2016 and engaged in providing education services regarding rail transit. The investment in Youdao Technology is redeemable at the option of the Group in case of occurrence of certain triggering events.

(iii) Ruubypay was established on 3 March 2017 and engaged in providing mobile payment technology and information service solutions in the field of public transport travel. Given the investment strategy of the Group, the directors of the Company designated the investment in Ruubypay as FVOCI (non-recycling).

Beijing Cornerstone Chuangying Investment Centre (Limited Liability Partnership) ("Cornerstone Chuangying"), a joint venture of the Group, was wound up and distributed its equity interests in Ruubypay to its investors on 1 November 2022. The Group acquired 8.54% equity interest of Ruubypay in return of its investment in Cornerstone Chuangying, which resulted a gain on disposal of HK$6,392,000 during the year ended 31 December 2022.

Chuangying Centre, a joint venture of the Group, distributed its equity interests in Ruubypay to its investors on 22 August 2023. The Group acquired 1.05% equity interest of Ruubypay in return of its investment in Cornerstone Centre.

As a result, the Group holds 9.59% (2022: 8.54%) ownership interest in Ruubypay as at 31 December 2023.

17 INVENTORIES

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

	2023 HK$'000	2022 HK$'000
Application solution related software, hardware and spare parts	**357,291**	407,299
Materials to be assigned to services contracts	**6,465**	38,898
	363,756	446,197

(b) The analysis of the amount of inventories recognised as expenses and included in profit or loss during the year is as follows:

	2023 HK$'000	2022 HK$'000
Carrying amount of inventories sold	**751,371**	810,855
Write down/(reversal of write down) of inventories, net	**2,343**	(8,012)
Cost of inventories	**753,714**	802,843

18 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023 HK$'000	2022 HK$'000
Contract assets		
Arising from performance under contracts with customers	**763,482**	659,749
Less: loss allowance	**(49,220)**	(47,946)
	714,262	611,803
Receivables from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (Note 19)	**806,874**	587,492

Typical payment terms which impact on the amount of contract assets recognised are as follows:

The Group's service contracts include payment schedules which require stage payments over the service period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a one to three years retention period after the performance of sales contracts, during which credit term may be granted to customers for retentions receivable, depending on the market practice of the industry and credit assessment carried out by management on an individual customer basis.

The amount of contract assets that is expected to be recovered after more than one year is HK$134,204,000 (2022: HK$69,913,000), all of which relates to retentions.

18 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

	2023 HK$'000	2022 HK$'000
Contract liabilities		
Service contracts		
– Billings in advance of performance	**45,800**	39,702

When the Group receives a deposit before the production activity commences this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

MOVEMENTS IN CONTRACT LIABILITIES

	2023 HK$'000	2022 HK$'000
Balance at 1 January	**39,702**	68,799
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(39,358)**	(65,195)
Increase in contract liabilities as a result of billing in advance of service	**46,059**	41,105
Exchange adjustments	**(603)**	(5,007)
Balance at 31 December	**45,800**	39,702

The amount of billings in advance of performance and forward sales deposits received expected to be recognised as income within one year is HK$45,800,000 (2022: HK$39,702,000).

19 TRADE AND OTHER RECEIVABLES

	2023 HK$'000	2022 HK$'000
Trade receivables	843,551	626,676
Bills receivable	263,771	282,301
	1,107,322	908,977
Less: loss allowance	(37,573)	(39,184)
Trade and bills receivables, net of loss allowance	1,069,749	869,793
Prepayments, deposits and other receivables	72,780	88,300
Less: loss allowance	(8,821)	(229)
	63,959	88,071
Value-added tax recoverable	12,335	18,078
	1,146,043	975,942

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

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

	2023 HK$'000	2022 HK$'000
Within 1 year	869,741	706,353
Over 1 year	200,008	163,440
	1,069,749	869,793

All trade receivables are due for payment upon issuance of demand note and all bills receivable are with a maturity period of less than one year. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 30(a).

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	2023 **HK$'000**	2022 HK$'000
Cash on hand and at bank	**568,331**	667,370
Restricted bank deposits	**128,799**	141,281
Cash and cash equivalents in the consolidated statement of financial position	**697,130**	808,651
Less: restricted bank deposits (Note 33)	**(128,799)**	(141,281)
Cash and cash equivalents in the consolidated statement of cash flows	**568,331**	667,370

The Group's operations in Mainland China are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of Mainland China is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings HK$'000 (Note 22)	Other borrowing HK$'000 (Note 23)	Lease liabilities HK$'000 (Note 24)	Interest payable HK$'000	Total HK$'000
At 1 January 2022	48,775	300,000	58,267	151	407,193
Changes from financing cash flows for 2022:					
Proceeds of bank borrowings	88,237	–	–	–	88,237
Repayment of bank borrowings	(47,560)	–	–	–	(47,560)
Capital element of lease rentals paid	–	–	(17,449)	–	(17,449)
Interest element of lease rentals paid	–	–	(2,326)	–	(2,326)
Interest paid	–	–	–	(6,688)	(6,688)
Total changes from financing cash flows	40,677	–	(19,775)	(6,688)	14,214
Other changes:					
Increase in lease liabilities	–	–	1,795	–	1,795
Early termination of leases	–	–	(1,588)	–	(1,588)
Interest expense	–	–	2,326	6,680	9,006
Exchange adjustments	(5,522)	–	(1,167)	–	(6,689)
Total other changes	(5,522)	–	1,366	6,680	2,524
At 31 December 2022 and 1 January 2023	**83,930**	**300,000**	**39,858**	**143**	**423,931**
Changes from financing cash flows for 2023:					
Proceeds of bank borrowings	**92,390**	**–**	**–**	**–**	**92,390**
Repayment of bank borrowings	**(98,740)**	**–**	**–**	**–**	**(98,740)**
Repayment of other borrowing	**–**	**(45,000)**	**–**	**–**	**(45,000)**
Capital element of lease rentals paid	**–**	**–**	**(20,403)**	**–**	**(20,403)**
Interest element of lease rentals paid	**–**	**–**	**(2,040)**	**–**	**(2,040)**
Interest paid	**–**	**–**	**–**	**(8,437)**	**(8,437)**
Total changes from financing cash flows	**(6,350)**	**(45,000)**	**(22,443)**	**(8,437)**	**(82,230)**
Other changes:					
Increase in lease liabilities	**–**	**–**	**27,591**	**–**	**27,591**
Lease modification	**–**	**–**	**(3,930)**	**–**	**(3,930)**
Early termination of leases	**–**	**–**	**(3,443)**	**–**	**(3,443)**
Interest expense	**–**	**–**	**2,040**	**8,416**	**10,456**
Exchange adjustments	**(1,159)**	**–**	**(764)**	**–**	**(1,923)**
Total other changes	**(1,159)**	**–**	**21,494**	**8,416**	**28,751**
At 31 December 2023	**76,421**	**255,000**	**38,909**	**122**	**370,452**

20 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023 HK$'000	2022 HK$'000
Within operating cash flows	**5,357**	10,345
Within financing cash flows	**22,443**	19,775
	27,800	30,120

These amounts relate to the following:

	2023 HK$'000	2022 HK$'000
Lease rentals paid	**27,800**	30,120

21 TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**845,980**	799,369
Bills payable	**70,532**	116,250
Trade and bills payables	**916,512**	915,619
Accrued expenses and other payables	**106,954**	126,555
Consideration payable for acquisition of non-controlling interests	**607**	45,561
Consideration payable for acquisition of a subsidiary	**82,498**	83,689
Other taxes payables	**32,903**	23,921
	1,139,474	1,195,345

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

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

	2023 HK$'000	2022 HK$'000
Due within 1 month or on demand	**867,007**	847,843
Due after 1 month but within 6 months	**49,505**	58,427
Due after 6 months but within 1 year	**–**	9,349
	916,512	915,619

22 BANK BORROWINGS

All of the bank borrowings are unguaranteed and unsecured, bear fixed interest rate ranging from 3.20% to 3.80% (2022: from 3.30% to 4.00%) per annum and are repayable within one year.

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 31 December 2023, none of the covenants relating to the drawn down facilities has been breached.

23 OTHER BORROWING

Other borrowing is pledged by the Company's 51% (2022: 60%) of equity interests in a subsidiary and bear fixed interest rate at 1.72% (2022: 1.72%) per annum.

Balance of HK$255,000,000 as at 31 December 2023 is repayable within one year whereas balance of HK$300,000,000 as at 31 December 2022 is repayable more than one year but not exceeding two year.

On 18 August 2023, the Company and lender entered into a supplemental agreement, which the Company early partial repaid HK$45,000,000 and the lender released of share charge over 9% of the equity interests in a subsidiary.

24 LEASE LIABILITIES

As at 31 December 2023, the lease liabilities were repayable as follows:

	2023 HK$'000	2022 HK$'000
Within 1 year	**14,074**	17,640
After 1 year but within 2 years	**13,266**	8,727
After 2 years but within 5 years	**11,569**	13,491
	24,835	22,218
	38,909	39,858

25 PROVISION FOR WARRANTIES

	2023 HK$'000	2022 HK$'000
At 1 January	**14,005**	11,682
Additional provision made	**2,992**	14,845
Provision utilised	**(7,542)**	(11,415)
Exchange adjustments	**(174)**	(1,107)
At 31 December	**9,281**	14,005
Less: amount included under "current liabilities"	**(4,952)**	(8,461)
	4,329	5,544

The above represents the warranty costs for repairs, which are estimated based on prevailing after-sales service policies, the sales volume and the past experience of the level of repairs and replacement. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Deferred tax assets and liabilities recognised:

(I) MOVEMENT OF EACH COMPONENT OF DEFERRED TAX ASSETS AND LIABILITIES

The component of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Amortisation and depreciation expenses in excess of the tax allowances HK$'000	Accruals HK$'000	Credit losses allowance HK$'000	Write-down of inventories HK$'000	Impairment of property plant and equipment HK$'000	Tax difference in other equity security HK$'000	Deferred income HK$'000	Provision for warranties HK$'000	Right-of-use assets HK$'000	Lease liabilities HK$'000	Tax losses HK$'000	Fair value adjustments on intangible assets and related amortisation HK$'000	Total HK$'000
Balance at 1 January 2022	2,845	16,737	11,677	3,554	3,287	–	336	1,752	(8,675)	8,675	–	(51,589)	(11,401)
Exchange adjustments	(195)	(780)	(1,041)	(260)	(279)	(395)	(28)	(166)	650	(650)	–	4,581	1,437
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(1,079)	(14,483)	1,608	(1,202)	–	11,554	(10)	514	2,167	(2,167)	–	3,084	(14)
Balance at 31 December 2022 and 1 January 2023	**1,571**	**1,474**	**12,244**	**2,092**	**3,008**	**11,159**	**298**	**2,100**	**(5,858)**	**5,858**	**–**	**(43,924)**	**(9,978)**
Exchange adjustments	**(19)**	**(24)**	**(180)**	**(30)**	**(43)**	**(102)**	**(2)**	**(26)**	**80**	**(80)**	**(58)**	**623**	**139**
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	**(563)**	**132**	**1,064**	**180**	**–**	**(806)**	**(296)**	**(682)**	**407**	**(433)**	**10,306**	**509**	**9,818**
Charged to other comprehensive Income	**–**	**–**	**–**	**–**	**–**	**(9,037)**	**–**	**–**	**–**	**–**	**–**	**–**	**(9,037)**
Balance at 31 December 2023	**989**	**1,582**	**13,128**	**2,242**	**2,965**	**1,214**	**–**	**1,392**	**(5,371)**	**5,345**	**10,248**	**(42,792)**	**(9,058)**

(II) RECONCILIATION TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2023 HK$'000	2022 HK$'000
Net deferred tax asset in the consolidated statement of financial position	**29,026**	33,946
Net deferred tax liability in the consolidated statement of financial position	**(38,084)**	(43,924)
	(9,058)	(9,978)

26 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets not recognised

As at 31 December 2023, the Group has not recognised deferred tax assets in respect of unused tax losses, impairment provision and accruals arising from certain subsidiaries of the Group of HK$68,542,000 (2022: HK$78,916,000) as it is not probable that future taxable profits against which the losses or deducible temporary difference can be utilised will be available in the relevant tax jurisdiction and entity. Except for the amount of HK$27,131,000 (2022: HK$22,026,000) which will not expire under the relevant tax legislation, the remaining unused tax losses of HK$38,778,000 (2022: HK$55,748,000) at 31 December 2023 will expire in one to ten years (2022: one to ten years).

(c) Deferred tax liabilities not recognised

As at 31 December 2023, temporary differences relating to the retained profits of the subsidiaries of the Group established in Mainland China amounted to HK$683,915,000 (2022: HK$1,126,128,000) of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

27 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK$'000 (Note 27(c))	Share premium HK$'000 (Note 27(d)(i))	Capital reserve HK$'000 (Note 27(d)(ii))	Accumulated losses HK$'000	Total HK$'000
Balance at 1 January 2022	20,971	1,718,813	52,991	(57,879)	1,734,896
Changes in equity for 2022:					
Total comprehensive income	–	–	–	20,171	20,171
Dividends declared in respect of the previous year (Note 27(b)(ii))	–	(56,623)	–	–	(56,623)
Balance at 31 December 2022 and 1 January 2023	**20,971**	**1,662,190**	**52,991**	**(37,708)**	**1,698,444**
Changes in equity for 2023:					
Total comprehensive expense	**–**	**–**	**–**	**(1,376)**	**(1,376)**
Dividends declared in respect of the previous year (Note 27(b)(ii))	**–**	**(54,526)**	**–**	**–**	**(54,526)**
At 31 December 2023	**20,971**	**1,607,664**	**52,991**	**(39,084)**	**1,642,542**

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Dividends

(I) DIVIDENDS PAYABLE TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE YEAR

	2023 **HK$'000**	2022 HK$'000
Final dividend proposed after the end of the reporting period of HK$2.5 cents per ordinary share (2022: HK$2.6 cents)	**52,429**	54,526

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(II) DIVIDENDS TO EQUITY SHAREHOLDERS OF THE COMPANY ATTRIBUTABLE TO THE PREVIOUS FINANCIAL YEAR, APPROVED DURING THE CURRENT YEAR

	2023 **HK$'000**	2022 HK$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK$2.6 cents per ordinary share (2022: HK$2.7 cents)	**54,526**	56,623

(c) Share capital

Authorised and issued share capital

	2023		2022	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**5,000,000,000**	**50,000**	5,000,000,000	50,000
Issued and fully paid:				
At 1 January and 31 December	**2,097,146,727**	**20,971**	2,097,146,727	20,971

27 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves

(I) SHARE PREMIUM

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(II) CAPITAL RESERVE

The capital reserve mainly comprised: (i) the excess/deficiency of the carrying values of the controlling equity interests in subsidiaries acquired and the considerations paid under the reorganisation took place in 2011; (ii) the excess/deficiency of the considerations paid for/received from over the changes in the carrying amounts of non-controlling interests in the acquisitions of further interests in subsidiaries or disposal of partial interests in subsidiaries; (iii) the portion of the grant date fair value of unexercised share options granted to directors and equity shareholder of the Company and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments; and (iv) the share of the investee's net assets changes, other than profit or loss or other comprehensive income and distributions received.

(III) STATUTORY RESERVES

In accordance with the articles of association of the subsidiaries of the Group established in the PRC (excluding Hong Kong), these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers to these reserves are governed by the articles of association of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(IV) EXCHANGE RESERVE

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2(w).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The capital structure of the Group consists of net debt including borrowings, net of cash and cash equivalents and equity attributable to equity shareholders of the Company comprising issued equity, retained profits and other reserves.

The directors of the Company review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends as well as the issue of new debt or the redemption of existing debt.

28 ACQUISITION OF NON-CONTROLLING INTERESTS

	2023 HK$'000	2022 HK$'000
Carrying amount of non-controlling interests acquired	**1,889**	36,392
Settlement of put-options in connection with share-based transaction	**–**	10,592
Considerations payable	**(610)**	(45,561)
Contingent considerations	**–**	(2,027)
Increase/(decrease) in equity attributable to owners of the Company	**1,279**	(604)

Huaqi intelligent

Six put-options were granted by the Group to two limited partnerships (the "Holders"), which are collectively owned by management personnel of Huaqi Intelligent. Subject to vesting conditions and performance conditions, each put-option gives the Holders the right to put part/all of their owned equity interests in Huaqi Intelligent to the Group. As at 31 December 2021, the outstanding and exercisable put-options represent 2.7% equity interests in Huaqi Intelligent and the fair value of the liabilities arising from the put-options was HK$11,573,000.

On 16 December 2022, the Holders, Huaqi Intelligent and a subsidiary of the Group, entered into an equity transfer agreement. Pursuant to the equity transfer agreement, the Holders exercised its put-options in full and transferred additional 1% equity interests in Huaqi Intelligent to the Group. As agreed among parties, the total consideration was no more than RMB42,510,600 (equivalent to approximately HK$47,588,000), including a contingent component of RMB1,810,600 (equivalent to approximately HK$2,027,000), which is subject to downward adjustment based on fair value loss of 1% equity interest in Huaqi Intelligent up to 31 December 2025. The contingent component, if any, is on due on 31 December 2025, while rest part of the consideration was on demand.

Beijing Cornerstone Vision

During the year ended 31 December 2023, the Group acquired additional equity interests in Beijing Cornerstone Vision Digital Technology Co., Ltd ("Beijing Cornerstone Vision") for a consideration of RMB550,000 (equivalent to approximately HK$610,000). As a result, the Group's effective equity interests in Beijing Cornerstone Vision has increased from 51% to 100%. The carrying amount of the non-controlling interests in the subsidiary on the date of acquisition was approximately HK$1,889,000. The Group recognised a decrease in non-controlling interests of approximately HK$1,889,000 and an increase in equity attributable to owners of the Company of approximately HK$1,279,000.

29 DEEMED PARTIAL DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT LOSING CONTROL

	2023 HK$'000
Carrying amount of equity interest obtained by non-controlling interests	**(86,842)**
Capital contributed by non-controlling interests	**110,976**
Excess of consideration received recognised within equity	**24,134**

29 DEEMED PARTIAL DISPOSAL OF INTERESTS IN SUBSIDIARY WITHOUT LOSING CONTROL (CONTINUED)

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), an independent third party, pursuant to which Suzhou Rail Transit agreed for a capital injection of RMB100,000,000 (equivalent to approximately HK$110,976,000) into Huaqi Intelligent in return for approximately 7.35% of the enlarged equity interest in Huaqi Intelligent. Accordingly, the Group's effective equity interest in Huaqi Intelligent was diluted from 98.7% to approximately 91.4%. As a result, the Group recognised a decrease in equity attributable to equity shareholders of the Company of approximately HK$24,134,000 and an increase in non-controlling interests of approximately HK$86,842,000.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group's credit risk is primarily attributable to trade, bills and other receivables, and contract assets. Management has a credit policy in place and the exposure to this credit risk is monitored on an ongoing basis.

The credit risk on cash at bank and pledged bank deposits is limited as the counterparties are banks with sound credit standing.

TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, 3% (2022: 4%) and 15% (2022: 20%) of the total trade and bills receivables and contract assets were due from the Group's largest customer and the five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

The Group does not provide any other guarantees that would expose the Group to credit risk.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

Bills receivable

For bills receivable, the Group grouped bills receivable in accordance with credit risk characteristics and calculated the expected credit loss based on portfolio. The reason of choosing the portfolio of the bills receivable and the method of calculating expected credit loss are as follows:

The reason of choosing the portfolio	The method of calculating expected credit loss
Bank acceptance bills	Credit risk is characterised by the credit rating of the accepting bank in the bank acceptance bills
Commercial acceptance bills	Credit risk is characterised by the credit rating of the accepting company in the commercial acceptance bills

For bank acceptance bills, the credit risk is limited because the bills are guaranteed by banks for payments and the banks are creditworthy financial institutions in the PRC. The movement in the impairment losses amount in respect of commercial acceptance bills during the year is as follows:

	2023 HK$'000	2022 HK$'000
Balance at 1 January	**–**	–
Exchange adjustments	**(5)**	–
Impairment loss recognised during the year	**901**	–
Balance at 31 December	**896**	–

Trade receivables and contract assets

The Group measures loss allowances for trade and bills receivables and contract assets at an amount equal to lifetime ECLs, which is calculated using a provision matrix or based on the probability of default with reference to available market information, taking into account any credit enhancement.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets:

	As at 31 December 2023		
	Average expected loss rate %	**Gross carrying amount HK$'000**	**Loss allowance HK$'000**
Within 1 year	**1.36%**	**614,732**	**(8,336)**
More than 1 year but within 2 years	**5.20%**	**134,256**	**(6,986)**
More than 2 years	**22.58%**	**94,563**	**(21,355)**
		843,551	**(36,677)**
Contract assets	**6.45%**	**763,482**	**(49,220)**
		1,607,033	**(85,897)**

	As at 31 December 2022		
	Average expected loss rate %	Gross carrying amount HK$'000	Loss allowance HK$'000
Within 1 year	2.18%	433,502	(9,450)
More than 1 year but within 2 years	8.22%	139,446	(11,462)
More than 2 years	34.01%	53,728	(18,272)
		626,676	(39,184)
Contract assets	7.27%	659,749	(47,946)
		1,286,425	(87,130)

The expected loss rate is calculated based on actual loss experience over the past three to five years. These ratios are adjusted to reflect differences in the economic environment during the periods in which the historical data is collected, the current environment and the Group's view of the economic environment over the expected lives of the receivables.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

TRADE AND BILLS RECEIVABLES AND CONTRACT ASSETS (CONTINUED)

Movement in the loss allowance amount in respect of trade receivables and contract assets during the year is as follows:

	2023 HK$'000	2022 HK$'000
Balance at 1 January	**87,130**	82,895
Exchange adjustments	**(1,239)**	(7,415)
Impairment loss recognised during the year	**6**	11,650
Balance at 31 December	**85,897**	87,130

OTHER RECEIVABLES

For other receivables, the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Movements in the loss allowance account in respect of other receivables during the year are as follows:

	2023 HK$'000	2022 HK$'000
Balance at 1 January	**229**	219
Exchange adjustments	**(40)**	10
Impairment loss recognised during the year	**6,496**	–
Balance at 31 December	**6,685**	229

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Liquidity risk

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities which are based on contractual undiscounted cash flows and the earliest dates the Group can be required to pay:

	2023 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Bank borrowings	**77,396**	**–**	**–**	**77,396**	**76,421**
Other borrowing	**259,386**	**–**	**–**	**259,386**	**255,000**
Lease liabilities	**15,494**	**14,058**	**11,930**	**41,482**	**38,909**
Trade and other payables	**1,106,571**	**–**	**–**	**1,106,571**	**1,106,571**
	1,458,847	**14,058**	**11,930**	**1,484,835**	**1,476,901**

	2022 Contractual undiscounted cash outflow				
	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total HK$'000	Carrying amount HK$'000
Bank borrowings	91,013	–	–	91,013	83,930
Other borrowing	–	310,205	–	310,205	300,000
Lease liabilities	18,023	9,357	15,530	42,910	39,858
Trade and other payables	1,171,424	–	–	1,171,424	1,171,424
	1,280,460	319,562	15,530	1,615,552	1,595,212

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk in relation to loans from a related party with a fixed-rate and other interest-bearing borrowings. Cash flow interest rate risk in relation to bank balances and restricted bank deposits is considered insignificant. Interest rate risk is managed by the management of the Group on an ongoing basis with the primary objective of limiting the extent to which interest expense could be affected by adverse movement in interest rates. The Group's interest rate profile as monitored by management is set out in (i) below.

(I) INTEREST RATE RISK PROFILE

The following table details the interest rate risk profile of the Group's borrowings at the end of the reporting period:

	2023		2022	
	Effective interest rate %	HK$'000	Effective interest rate %	HK$'000
Fixed rate borrowings:				
Lease liabilities	5.14%	38,909	5.14%	39,858
Bank borrowings	3.20%-3.80%	76,421	3.30%-4.00%	83,930
Other borrowing	1.72%	255,000	1.72%	300,000
Total borrowings		370,330		423,788
Fixed rate borrowings as a percentage of total borrowings		100%		100%

(II) SENSITIVITY ANALYSIS

Since the Group has no variable-rate borrowings at the end of the reporting period, no sensitivity analysis about interest rates risk is prepared.

(d) Currency risk

The Group is exposed to currency risk primarily through cash and cash equivalents and other receivables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily RMB, United States dollars ("USD"), Euro ("EUR"), Indian Rupees ("INR") and Canadian dollars ("CAN").

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(I) EXPOSURE TO CURRENCY RISK

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies (expressed in HK$)					
	2023					
	RMB '000	HK$ '000	USD '000	EUR '000	INR '000	CAN '000
Cash and cash equivalents	**24,924**	**931**	**110,260**	**5,465**	**–**	**3,902**
Trade and other receivables	**–**	**3,444**	**16,266**	**238**	**–**	**–**
Gross exposure arising from recognised assets and liabilities	**24,924**	**4,375**	**126,526**	**5,703**	**–**	**3,902**

	Exposure to foreign currencies (expressed in HK$)					
	2022					
	RMB '000	HK$ '000	USD '000	EUR '000	INR '000	CAN '000
Cash and cash equivalents	39,487	–	141,261	8,073	10,075	–
Trade and other receivables	–	74	9,796	6,741	–	–
Gross exposure arising from recognised assets and liabilities	39,487	74	151,057	14,814	10,075	–

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Currency risk (continued)

(II) SENSITIVITY ANALYSIS

The following table indicates the instantaneous change in the Group's profit after taxation and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2023		2022	
	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits HK$'000	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after taxation and retained profits HK$'000
RMB	**10%**	**2,492**	10%	3,949
	(10%)	**(2,492)**	(10%)	(3,949)
HKD	**10%**	**344**	10%	6
	(10%)	**(344)**	(10%)	(6)
USD	**10%**	**12,040**	10%	14,959
	(10%)	**(12,040)**	(10%)	(14,959)
EUR	**10%**	**428**	10%	1,259
	(10%)	**(428)**	(10%)	(1,259)
INR	**10%**	**–**	10%	856
	(10%)	**–**	(10%)	(856)
CAN	**10%**	**293**	10%	–
	(10%)	**(293)**	(10%)	–

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after taxation and retained profits measured in the respective functional currencies, translated into HK$ at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company receivables within the Group which are denominated in a currency other than the functional currencies of the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2022.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) 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.

The Group has a team headed by the finance manager performing valuations for the financial instruments, including unlisted equity securities and contingent considerations which are categorised into Level 3 of the air value hierarchy. The team reports directly to the Chief Financial Officer and the directors. A valuation report with analysis of changes in fair value measurement is prepared by the team at each interim and annual reporting date, and is reviewed and approved by the Chief Financial Officer. Discussion of the valuation process and results with the Chief Financial Officer and the directors is held twice a year, to coincide with the reporting dates.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(I) FAIR VALUE HIERARCHY (CONTINUED)

	Fair value at 31 December 2023 HK$'000	Fair value measurement as at 31 December 2023 categorised into Level 3 HK$'000
Recurring fair value measurement		
Financial assets:		
Other financial assets measured at FVPL	**76,935**	**76,935**
Other financial assets designated at FVOCI	**125,800**	**125,800**
Financial liabilities:		
Contingent considerations	**1,998**	**1,998**

	Fair value at 31 December 2022 HK$'000	Fair value measurement as at 31 December 2022 categorised into Level 3 HK$'000
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 years ended 31 December 2023 and 2022, 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.

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(I) FAIR VALUE HIERARCHY (CONTINUED)

The movements during the year in the balance of Level 3 fair value measurements are as follows:

	2023 HK$'000	2022 HK$'000
Other financial assets measured at FVPL:		
Balance at 1 January	**70,475**	67,576
Changes in fair value recognised in profit or loss during the year	**7,505**	8,930
Exchange adjustments	**(1,045)**	(6,031)
Balance at 31 December	**76,935**	70,475
Other financial assets designated at FVOCI:		
Balance at 1 January	**52,261**	–
Distribution from joint ventures (Note 16(iii))	**14,455**	52,261
Net unrealised gains or losses recognised in other comprehensive income during the year	**60,248**	–
Exchange adjustments	**(1,164)**	–
Balance at 31 December	**125,800**	52,261
Put-options in connection with acquisition of a subsidiary:		
Balance at 1 January	**–**	1,069
Changes in fair value recognised in profit or loss during the year	**–**	(1,069)
Balance at 31 December	**–**	–
Contingent considerations receivable:		
Balance at 1 January	**–**	27
Changes in fair value recognised in profit or loss during the year	**–**	(27)
Balance at 31 December	**–**	–
Contingent considerations payable:		
Balance at 1 January	**2,027**	–
Increase from acquisition of non-controlling interests	**–**	2,027
Exchange adjustments	**(29)**	–
Balance at 31 December	**1,998**	2,027

30 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(e) 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 Cornerstone Huiying is based on adjusted recent transaction price of the underlying investments or the market multiples (i.e. price to earnings multiples) from comparable listed companies, which is adjusted for the lack of marketability discounted at weighted average rate of 29.7% (2022: 31.7%) of the underlying investments.

The Group determines unlisted equity investment in Youdao Technology is based on market multiples (i.e. price to earnings multiples) from comparable listed companies, which is adjusted for the lack of marketability discounted at weighted average rate of 26.1% (2022: 32.3%) of the underlying investments.

As at 31 December 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's profit by HK$473,000 (2022: HK$391,000).

Other financial assets designated at FVOCI

The valuation model of the fair value of unlisted equity investment in Ruubypay is based on market multiples (i.e. enterprise value to earnings before interest, tax, depreciation, and amortisation multiple/price to sales multiples) from comparable listed companies, which is adjusted for the lack of marketability discounted at weighted average rate of 26.1% (2022: 40.7%) of the underlying investments.

As at 31 December 2023, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by HK$2,207,000 (2022: HK$493,000).

Contingent considerations:

The fair value of contingent considerations are determined using valuation model considering the present value of expected payable, 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 payable is not significant.

(f) 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 31 December 2023 and 2022.

31 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these consolidated financial statements, the material related party transactions entered into by the Group during the year are set out below.

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

	2023 **HK$'000**	2022 HK$'000
Short-term employee benefits	**9,301**	9,702
Retirement scheme contributions	**653**	763
	9,954	10,465

Total remuneration is included in "staff costs" (see Note 6(b)).

(b) Related party transactions

TRANSACTIONS WITH ULTIMATE HOLDING COMPANY AND THEIR AFFILIATES

	2023 **HK$'000**	2022 HK$'000 (re-presented)
Interest expense	**4,969**	5,224
Repayment of loan to an associate	**–**	4,636
Internet income from loan to an associate	**–**	73
Revenue from intelligent passenger information services	**62,790**	18,784
Revenue from data and integration services	**287,795**	252,107
Revenue from intelligent infrastructure	**14,097**	6,936
Purchases of goods and services	**45,198**	49,199
Expense relating to short-term lease	**2,175**	2,122

31 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Related party transactions (continued)

TRANSACTIONS WITH JOINT VENTURES AND ASSOCIATES

	2023 HK$'000	2022 HK$'000
Purchases of goods and services	**180,091**	179,098
Revenue from intelligent passenger information services	**4,701**	4,663
Dividends	**19,732**	8,359

(c) Related party balances

BALANCES WITH ULTIMATE HOLDING COMPANY AND THEIR AFFILIATES

	2023 HK$'000	2022 HK$'000
Trade receivables	**88,854**	60,902
Prepayments, deposits and other receivables	**5,726**	3,412
Contract liabilities	**30,978**	27,320
Trade payables	**47,073**	32,843
Accrued expenses and other payables	**2,837**	1,413
Other borrowing	**255,000**	300,000

BALANCES WITH JOINT VENTURES AND ASSOCIATES

	2023 HK$'000	2022 HK$'000
Trade receivables	**4,746**	282
Prepayments, deposits and other receivables	**–**	19,332
Trade payables	**49,490**	63,087

Except for other borrowing which is secured, interest-bearing and repayable according to contract terms (Note 23), all the above balances are unsecured, interest-free and repayable on demand or according to contract terms.

31 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 31(b) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- provision of hardware and software products and services of high-speed railways, intercity railways, suburban railways and metro system;
- provision of hardware and software products and services of intelligent railways transportation and intelligent operation and maintenance;
- provision of information system services of civil communication transmission systems, utility tunnel areas and integrated transportation hubs;
- bank deposits;
- bank borrowings; and
- purchase of other financial assets.

The above transactions were entered into in the Group's ordinary course of business. The pricing and the selection of suppliers, service providers and financial institutions are not dependent on whether the counterparties are state-controlled entities or not. The directors of the Company are of the view that separate disclosures of these transactions would not be meaningful.

In the opinion of the management of the Group, the above transactions are collectively significant transactions of the Group with state-controlled enterprise controlled by the PRC government.

32 THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2023 HK$'000	2022 HK$'000
Non-current assets			
Investments in subsidiaries	14	**570,757**	570,757
Interest in a joint venture		**294,735**	294,735
		865,492	865,492
Current assets			
Other receivables		**906,949**	1,003,546
Cash and cash equivalents		**130,382**	144,312
		1,037,331	1,147,858
Current liabilities			
Other borrowing		**255,000**	–
Accrued expenses and other payables		**5,281**	14,906
		260,281	14,906
Net current assets		**777,050**	1,132,952
Total assets less current liabilities		**1,642,542**	1,998,444
Non-current liability			
Other borrowing		**–**	300,000
NET ASSETS		**1,642,542**	1,698,444
CAPITAL AND RESERVES	27		
Share capital		**20,971**	20,971
Reserves		**1,621,571**	1,677,473
TOTAL EQUITY		**1,642,542**	1,698,444

33 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"). As at 31 December 2023, the unpaid Deferred Considerations of the Group, of which amount was confirmed by the former shareholder of Huaqi Intelligent (the "Former Shareholder") in writing, was RMB74,760,000 (equivalent to approximately HK$82,498,000 (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 in the relevant bank for the period from 10 February 2022 to 9 February 2025. As at 31 December 2023, the freezed balances equivalent to HK$101,918,000 (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.

34 IMMEDIATE AND ULTIMATE HOLDING COMPANY

As at 31 December 2023, the directors of the Company consider the immediate and ultimate controlling party of the Company to be Beijing Infrastructure Investment (Hong Kong) Limited, a company incorporated in Hong Kong, and BII, a company established in the PRC, respectively. Neither of these companies produces financial statements available for public use.

(Expressed in Hong Kong dollars)

35 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

Up to the date of issue of these financial statements, the IASB has issued a number of amendments to IFRSs, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IAS 1, Presentation of financial statements: Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 1, Presentation of financial statements: Non-current liabilities with covenants	1 January 2024
Amendments to IFRS 16, Leases: Lease liability in a sale and leaseback	1 January 2024
Amendments to IAS 7, Statement of cash flows and IFRS 7, Financial instruments: Disclosures: Supplier finance arrangement	1 January 2024
Amendments to IAS 21, The effects of changes in foreign exchange rates: Lack of exchangeability	1 January 2025

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

36 COMPARATIVE FIGURES

Certain comparative figures have been re-presented in order to conform to the current year's presentation.

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