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**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)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

The board (the “Board”) of directors (the “Directors”) of BII Railway Transportation Technology Holdings Company Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 June 2021 (the “Period”).

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the six months ended 30 June 2021 – unaudited*

*(Expressed in Hong Kong dollars (“HK\$”))*

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

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2021 – unaudited*

*(Expressed in HK\$)*

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit for the period</b>	<b>77,852</b>	<b>34,860</b>
<b>Other comprehensive income for the period (after tax):</b>		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	<b>27,203</b>	<b>(35,954)</b>
<b>Total comprehensive income for the period</b>	<b>105,055</b>	<b>(1,094)</b>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>106,276</b>	<b>(3,014)</b>
Non-controlling interests	<b>(1,221)</b>	<b>1,920</b>
<b>Total comprehensive income for the period</b>	<b>105,055</b>	<b>(1,094)</b>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 30 June 2021 – unaudited*

*(Expressed in HK\$)*

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

	At <b>30 June</b> <b>2021</b> <i>HK\$'000</i>	At 31 December 2020 <i>HK\$'000</i>
<b>Net current assets</b>	<u><b>1,157,717</b></u>	<u>1,174,431</u>
<b>Total assets less current liabilities</b>	<u><b>2,666,985</b></u>	<u>2,642,556</u>
<b>Non-current liabilities</b>		
Lease liabilities	<b>9,183</b>	14,860
Contingent considerations	–	18,329
Deferred tax liabilities	<b>52,144</b>	52,998
Deferred income	<b>1,044</b>	1,504
Provision for warranties	<u><b>1,650</b></u>	<u>1,861</u>
	<u><b>64,021</b></u>	<u>89,552</u>
<b>NET ASSETS</b>	<u><b>2,602,964</b></u>	<u>2,553,004</u>
<b>CAPITAL AND RESERVES</b>		
Share capital	<b>20,971</b>	20,971
Reserves	<u><b>2,485,363</b></u>	<u>2,431,646</u>
<b>Total equity attributable to equity shareholders of the Company</b>	<b>2,506,334</b>	2,452,617
<b>Non-controlling interests</b>	<u><b>96,630</b></u>	<u>100,387</u>
<b>TOTAL EQUITY</b>	<u><b>2,602,964</b></u>	<u>2,553,004</u>

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

(Expressed in HK\$ unless otherwise indicated)

## 1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 May 2012. The listing of the Company’s shares were transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The interim financial report of the Company as at and for the six months ended 30 June 2021 comprises the Company and its subsidiaries (collectively referred to as the “Group”) and the Group’s interests in joint ventures and associates. The principal activities of the Group are the design, production, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, as well as design, implementation and sale of related software, hardware and spare part in utility tunnel areas, and the investment in the railway transportation areas and infrastructure areas through investing in equity.

## 2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 31 August 2021.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of an interim financial information in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2020 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

The financial information relating to the financial year ended 31 December 2020 that is included in the interim financial information as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The financial statements for the year ended 31 December 2020 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 30 March 2021.

### 3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 16, *Covid-19-Related Rent Concessions beyond 30 June 2021*
- Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

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

### 4 REVENUE AND SEGMENT REPORTING

#### (a) Disaggregation of revenue

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

	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Disaggregated by major service lines		
– Revenue from intelligent railway transportation services	<b>414,082</b>	460,181
– Revenue from infrastructure information services	<b>104,190</b>	69,879
	<b>518,272</b>	<b>530,060</b>
Disaggregated by geographical location of customers		
– Mainland China	<b>468,965</b>	508,919
– Hong Kong	<b>27,201</b>	21,141
– India	<b>22,106</b>	–
	<b>518,272</b>	<b>530,060</b>

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

**(b) Segment reporting**

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

- Intelligent railway transportation: this segment provides design, production, implementation and sale, and maintenance of application solution services, which includes related software, hardware and spare parts in railway transportation areas.
- Infrastructure information: this segment provides civil communication transmission services as well as design, implementation and sale of related software, hardware and spare parts in utility tunnel areas.
- Business development investment: this segment manages the equity investments in railway transportation and infrastructure areas.

**(i) Segment results**

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 30 June 2021 and 2020. The Group's other income and expense items, such as other income, selling, general and administrative expenses, research expenses, finance costs and fair value change in contingent considerations and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, no such information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2021 and 2020 is set out below.



	Six months ended 30 June 2021			
	Intelligent railway transportation <i>HK\$'000</i>	Infrastructure information <i>HK\$'000</i>	Business development investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	348,590	1,956	–	350,546
Over time	65,492	102,234	–	167,726
Revenue from external customers and reportable segment revenue	414,082	104,190	–	518,272
Reportable segment gross profit	165,568	65,048	–	230,616
Share of results of joint ventures and associates	–	–	41,805	41,805
	Six months ended 30 June 2020			
	Intelligent railway transportation <i>HK\$'000</i>	Infrastructure information <i>HK\$'000</i>	Business development investment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	392,776	10,035	–	402,811
Over time	67,405	59,844	–	127,249
Revenue from external customers and reportable segment revenue	460,181	69,879	–	530,060
Reportable segment gross profit	193,186	29,434	–	222,620
Share of results of joint ventures and associates	–	–	(28,308)	(28,308)

(ii) *Reconciliations of reportable segment profit or loss*

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

**5 PROFIT BEFORE TAXATION**

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

**(a) Finance costs:**

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

(b) Other items:

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

6 INCOME TAX

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

Notes:

- (i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the six months ended 30 June 2021 (six months ended 30 June 2020: 16.5%).
- (ii) One subsidiary of the Group incorporated in India is subject to income tax rate of 25% for the six months ended 30 June 2021, pursuant to the rules and regulations of India (six months ended 30 June 2020: 25%).

- (iii) The Company and the subsidiaries of the Group incorporated in countries other than either the PRC (including Hong Kong) or India are not subject to any income tax, pursuant to the rules and regulations of their respective countries of incorporation.
- (iv) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to the PRC Corporate Income Tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%), except for certain subsidiaries of the Group which enjoy a preferential tax rate according to related tax policies to High-tech Enterprise, Software Enterprise and Small Low-profit Enterprise.

## 7 BASIC AND DILUTED EARNINGS PER SHARE

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

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2021 and 2020. Therefore, there was no difference between basic and diluted earnings per share.

## 8 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

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

### (b) Contract liabilities

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
<b>Contract liabilities</b>		
Service contracts		
– Billings in advance of performance	<u>304,317</u>	<u>59,722</u>

## 9 TRADE AND OTHER RECEIVABLES

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Trade receivables due from ( <i>Note 9(a)</i> ):		
– third parties	480,070	317,040
– affiliates of an equity shareholder of the Company	21,780	4,853
– a joint venture of the Group	1,210	1,196
Bills receivable	187,356	326,479
	<u>690,416</u>	<u>649,568</u>
Amounts due from related parties ( <i>Note 9(b)</i> ):		
– equity shareholders of the Company and their affiliates	5,430	440
– an associate of the Group	–	1,188
	<u>5,430</u>	<u>1,628</u>
Less: loss allowance	(21,623)	(24,301)
Prepayments, deposits and other receivables	222,244	55,165
VAT recoverable	4,216	3,975
	<u>900,683</u>	<u>686,035</u>
Financial assets measured at amortised cost	900,683	686,035
Fair value of put-options in connection with acquisition of a subsidiary	1,051	1,039
	<u>901,734</u>	<u>687,074</u>

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

### (a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Within 1 year	616,304	564,760
Over 1 year	74,112	84,808
	<u>690,416</u>	<u>649,568</u>

**(b) Amounts due from related parties**

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

**10 TRADE AND OTHER PAYABLES**

	At 30 June 2021 HK\$'000	At 31 December 2020 HK\$'000
Trade payables due to (Note 10(a))		
– third parties	505,999	512,288
– affiliates of an equity shareholder of the Company	59,612	62,426
– a joint venture of the Group	6,293	4,802
– associates of the Group	5,537	7,678
Bills payable (Note 10(a))	121,470	146,640
	<b>698,911</b>	733,834
Payable for acquisition of Suzhou Huaqi Intelligent Technology Co., Ltd.	90,581	–
Amounts due to an affiliate of an equity shareholder of the Company	120	–
Accrued expenses and other payables	143,766	126,089
	<b>933,378</b>	859,923
Financial liabilities measured at amortised cost		
Other taxes payables	11,613	28,114
Put-options in connection with share-based transaction	5,686	5,621
	<b>950,677</b>	893,658

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

**(a) Ageing analysis**

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

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

## 11 BANK AND OTHER BORROWINGS

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

## 12 DIVIDENDS

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

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

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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### MARKET AND BUSINESS ENVIRONMENT

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

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

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

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



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

## **BUSINESS OVERVIEW**

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

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

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

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

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

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

## **BUSINESS REVIEW**

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

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

## **BUSINESS ANALYSIS BY SEGMENT**

### **Intelligent Railway Transportation Business**

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

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

#### **■ *Business in Beijing: Improving and consolidating the foundation***

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

- It signed a deal on the AFC equipment procurement and installation project for the western section of Beijing Subway Line 11 (Winter Olympics branch line), which is valued at approximately RMB22.7 million. The project is among the first batch of AFC projects that are implemented with AFC standardised equipment design scheme and also among the first batch of lines that connect the Beijing's rail transit cloud platform, which is of benchmarking significance;
- It is the bid winner of Beijing Subway Line 12's on-board PIS project worth approximately RMB26.8 million. The 4+4 flexible marshalling technology was used in the project for the first time, which achieved the intelligent operation of trains;

- It signed contracts on the connection of lines, including Beijing Subway Line 3's phase I project, Line 12, Line 17, Line 19's phase I project and Line 11's western section to a cloud platform project. The projects worth a total of approximately RMB56.18 million. This helps the Group to accumulate project experience in urban rail cloud application, multi-specialty clouding, multi-line access, cloud platform operation and maintenance;
- It signed a contract on Beijing Suburban Railway's AFC system operation and maintenance project valued at approximately RMB7.50 million, providing guaranteed support for expanding its business types and better serving the construction of transportation in the capital city;
- It inked a deal on the safety supervision and management platform project of Beijing Infrastructure Investment Co., Ltd. (BII) worth approximately RMB5.79 million, with a view to enhancing delicacy management, preventing and curbing major accidents, achieving information-based safety management and improving safety supervision and management level; and
- It signed the Beijing Subway Line 11's intelligent security officer project worth approximately RMB6.08 million. To cater to the specific application requirements for railways, the Group developed an intelligent audio and video analysis algorithm based on deep machine learning to establish an intelligent security officer analysis system.

#### ■ ***Business outside Beijing: Stepping up presence and expanding businesses***

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

- It signed a contract on Shaoxing Metro Line 1's low current integration project worth approximately RMB555 million and involving nine specialties, which is the first landmark project undertaken by the Group as the master integrator. This laid a foundation for the establishment of the Group's brand image and improvement of industry influence outside Beijing;
- It also signed a contract on Shaoxing Metro Line 1's platform screen door project valued at approximately RMB75.62 million, which is the Group's first platform screen door project outside Beijing;
- Another two contracts it signed are about Shenzhen Metro Line 16's PIS project valued at approximately RMB34.71 million and Shenzhen Metro Line 12's PIS project valued at approximately RMB41.21 million, which further increased its market share in Shenzhen Metro market;
- It won the bidding of Shenyang Metro Line 4's PIS project for approximately RMB25.23 million, in which it will showcase the implementation of intelligent and innovative technologies in trains;

- It is the bid winner of Zhengzhou Metro Line 17's PIS project worth approximately RMB11.75 million. It continued to consolidate the position of Zhengzhou as one of the Group's regional hubs outside Beijing. Business synergy is favourable;
- Another bid-winning project is Urumqi Metro Line 1's network security level protection project worth approximately RMB13 million, covering three major low current systems, namely integrated monitoring, signaling and AFC;
- It signed a deal on the platform screen door procurement project concerning Zhengzhou-Xuchang City Railway's No. 5 and No. 6 projects, valued at approximately RMB13.45 million. The project is the Group's first platform screen door project outside the urban rail transit sector;
- The contracts on Foshan Metro Line 3's PIS project and Guangzhou Metro Line 7's western PIS project are worth approximately RMB9.90 million and RMB5.11 million, respectively. They contribute to the development of rail transit network in the Greater Bay Area;
- It won the bidding of Wenzhou Metro Line S2's PIS project for approximately RMB20.44 million; and
- In Hong Kong, the Group won the bidding of and signed contracts on 17 projects from and with clients, including Mass Transit Railway, New World First Bus, Citybus and Kwoon Chung Bus, in the first half of 2021. The projects were valued at approximately HK\$14.96 million.

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

#### ■ *Overseas business: Maintaining steady development and making breakthroughs*

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

- It won the bidding of India's Bangalore Metro Phase II's PIS project for approximately RMB29.61 million. Bangalore is the seventh Indian city the Group tapped into;
- It signed an approximately RMB69.9217 million worth of contract on the PIS project of India's Mumbai Metro Lines 2 and 7. It is the first project in India that the Group cooperates with India's Bharat Earth Movers Limited (BEML);

- Another project it signed is Pune Metro’s PIS project in India worth approximately RMB24.361 million. It is the first project in India that the Group cooperates with Titagarh; and
- It is the bid winner of the CCTV renovation project of DTT train in Queensland, Australia. It is the first Australian project the Group has taken up.

## **Infrastructure Information Business**

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

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

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

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

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

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



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

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

■ ***“Intelligent plus”: Integrating cutting-edge technologies and expanding application scenarios***

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

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

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

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

## **RESEARCH, DEVELOPMENT AND INNOVATION**

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

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

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

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

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

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



## **Attaching importance to intellectual property protection and improving brand image**

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

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

## **INVESTMENT AND COOPERATION**

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

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

- The passenger volume of Capital Airport Express operated by Beijing Metro returned to the pre-pandemic levels in an orderly manner. Meanwhile, Beijing Metro was active in obtaining the rights to operate new lines in and outside Beijing, and continuously reduced costs and increased benefits, which enabled it to see significant year-on-year growth in both revenue and profit in the first half of 2021;
- On the basis of consolidating the main businesses of AFC operation and maintenance and system integration, Beijing Metro Science and Technology Development Co., Ltd, the Group's joint venture, actively expanded intelligent operation and maintenance, information security assessment and other services. However, as priorities have not been given to periodic maintenance of Beijing Subway's AFC systems and some system integration projects have not been finished, the first-half net profit decreased compared to a year ago;
- The number of registered users of Yitongxing APP has reached approximately a total of 29 million. The passenger volume using Yitongxing QR code for subway fare payment accounted for approximately 38% of the total passengers in Beijing's rail transit network. In the first half of this year, Ruubypay enabled the payment via Apple Pay, UnionPay QuickPass, ICBC's digital currency and other functions. Moreover, QR code scanning in metro lines of Beijing, Shanghai, Tianjin and Guangzhou has been interconnected, which continuously improving the mobility convenience for passengers; and

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

## FINANCIAL REVIEW

### Overview

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

### Analysis of Changes in Major Items in Profit Statement

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

## **Revenue**

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

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

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

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

## **Cost of sales and gross profit**

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

## **Selling, general and administrative expenses**

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

## **Research and development expenses**

The Group's first-half research and development expenses were approximately HK\$78.5 million, representing a year-on-year increase of approximately HK\$22.1 million or 39.2%. The growth is due to its continuous investments in R&D and innovation, which ensures the improvement in its R&D strength and scientific innovation ability.

## **Investment income**

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

## **Profit attributable to equity shareholders of the Company**

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

## **Liquidity, financial and capital resources**

### ***Capital structure***

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

### ***Cash position***

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

### ***Bank borrowings and charges on the Group's assets***

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

### ***Working capital and gearing ratio***

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

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

### ***Cash flow***

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

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

### **CONTINGENT LIABILITIES**

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

### **INTERIM DIVIDEND**

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

## **EMPLOYEES AND REMUNERATION POLICIES**

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

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

## **INVESTMENT PROJECTS MADE IN THE FIRST HALF OF 2021**

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

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

## **SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS**

Beijing Metro was established on 15 February 2016, and its equity interest was held by the Company and Beijing Subway Operation as to 49% and 51%, respectively. Its registered capital was RMB500 million. Beijing Metro is principally engaged in investing, constructing, operating, managing subway lines, operating value-added services and related property development, including managing the operating income rights of Capital Airport Express, Dongzhimen Terminal and new lines of the Beijing Subway.

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

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



## PROSPECTS

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

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

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

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

## **MODEL CODE FOR SECURITIES TRANSACTIONS**

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

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the six months ended 30 June 2021. No incident of non-compliance with the Securities Dealing Code by the employees was noted by the Company.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## **AUDIT COMMITTEE**

The Company established the Audit Committee with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee were adopted in compliance with code provisions C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

The primary duties of the Audit Committee, among other things, are to (i) make recommendations to the Board on the scope of audit and appointment, re-appointment and removal of external auditor; (ii) review the financial statements and material advice in respect of financial reporting; (iii) oversee internal control and risk management systems of the Company; and (iv) review the effectiveness of the internal audit function and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

As at 30 June 2021, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

## **REVIEW OF INTERIM FINANCIAL INFORMATION**

The interim financial information is unaudited, but has been reviewed by KPMG, the Company's independent auditor, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants.



In addition, the Audit Committee has also reviewed the interim financial information of the Group for the six months ended 30 June 2021 and had discussed with the management of the Company and KPMG, including the review of the accounting principles and practices adopted by the Group, and is of the opinion that such financial information complies with applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

## **COMPLIANCE WITH CORPORATE GOVERNANCE CODE**

The Board considers that the Company has complied with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2021.

## **EVENT DURING THE PERIOD FROM 30 JUNE 2021**

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

## **PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This interim results announcement is published on the websites of the Company ([www.biitt.cn](http://www.biitt.cn)) and Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)). The 2021 interim report of the Company will be despatched to shareholders of the Company and available on the above websites in due course.

By Order of the Board  
**BII Railway Transportation Technology Holdings Company Limited**  
**Xuan Jing**  
*Executive Director*  
*Chief Executive Officer*

Hong Kong, 31 August 2021

*As at the date of this announcement, the executive Directors are Mr. Cao Wei and Ms. Xuan Jing; the non-executive Directors are Mr. Zhang Yanyou, Mr. Guan Jifa, Mr. Zheng Yi and Ms. Gu Xiaohui; and the independent non-executive Directors are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.*

\* *For identification purposes only*