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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

The board (the "Board") of directors (the "Directors") of BII Railway Transportation Technology Holdings Company Limited (the "Company") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

The consolidated financial results set out in this announcement are extracted from the Group's audited consolidated financial statements for the year ended 31 December 2020 ("2020 financial year" or "FY 2020").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020 (Expressed in Hong Kong dollars ("HK$"))

	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*3*	**1,549,976**	1,193,937
Cost of sales		**(934,717)**	(769,158)
Gross profit	*3(b)*	**615,259**	424,779
Other income		**49,962**	70,758
Selling, general and administrative expenses		**(257,867)**	(227,184)
Impairment loss on trade receivables and contract assets		**(28,842)**	(22,541)
Research expenses		**(135,261)**	(117,928)
Profit from operations		**243,251**	127,884
Finance costs	*4(a)*	**(29,019)**	(27,414)
Share of results of joint ventures and associates		**(108,168)**	25,182
Fair value change in contingent considerations		**106,840**	(6,304)
Profit before taxation	*4*	**212,904**	119,348
Income tax	*5*	**(29,112)**	(8,865)
Profit for the year		**183,792**	110,483
Attributable to:			
Equity shareholders of the Company		**168,407**	96,870
Non-controlling interests		**15,385**	13,613
Profit for the year		**183,792**	110,483
Earnings per share			
– Basic (HK$)	*6*	**0.080**	0.046
– Diluted (HK$)	*6*	**0.080**	0.046

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2020 (Expressed in HK$)

	2020 HK$'000	2019 HK$'000
Profit for the year	**183,792**	110,483
Other comprehensive income for the year (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	**141,983**	(51,058)
Total comprehensive income for the year	**325,775**	59,425
Attributable to:		
Equity shareholders of the Company	**307,161**	44,015
Non-controlling interests	**18,614**	15,410
Total comprehensive income for the year	**325,775**	59,425

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2020 (Expressed in HK$)

	Note	2020 HK$'000	2019 HK$'000
Non-current assets			
Property, plant and equipment		**170,171**	175,604
Intangible assets		**237,010**	228,771
Goodwill		**662,320**	622,239
Interests in joint ventures and associates		**356,256**	462,687
Income tax recoverable		**–**	3,934
Contingent considerations		**52**	181
Deferred tax assets		**42,316**	35,055
		1,468,125	1,528,471
Current assets			
Other financial assets		**219,819**	169,680
Inventories and other contract costs		**410,731**	502,489
Contract assets	*7(a)*	**520,322**	424,721
Trade and other receivables	*8*	**687,074**	557,594
Loans to an associate		**7,130**	–
Cash on hand and in bank		**983,829**	850,891
		2,828,905	2,505,375
Current liabilities			
Trade and other payables	*9*	**893,658**	784,340
Contract liabilities	*7(b)*	**59,722**	31,568
Bank and other borrowings		**571,412**	59,876
Lease liabilities		**7,618**	5,634
Current taxation		**24,670**	23,501
Contingent considerations		**88,830**	73,309
Provision for warranties		**8,564**	8,628
		1,654,474	986,856
Net current assets		**1,174,431**	1,518,519
Total assets less current liabilities		**2,642,556**	3,046,990

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)
At 31 December 2020 (Expressed in HK$)

	Note	**2020** **HK$'000**	2019 HK$'000
Non-current liabilities			
Bank and other borrowings		**–**	500,000
Lease liabilities		**14,860**	11,537
Contingent considerations		**18,329**	207,076
Deferred tax liabilities		**52,998**	52,497
Deferred income		**1,504**	1,077
Provision for warranties		**1,861**	2,263
		89,552	774,450
NET ASSETS		**2,553,004**	2,272,540
CAPITAL AND RESERVES	*10*		
Share capital		**20,971**	21,001
Reserves		**2,431,646**	2,168,215
Total equity attributable to equity shareholders of the Company		**2,452,617**	2,189,216
Non-controlling interests		**100,387**	83,324
TOTAL EQUITY		**2,553,004**	2,272,540

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The listing of the Company's shares was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The consolidated financial statements of the Company as at and for the year ended 31 December 2020 comprise 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 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These 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 financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain new and revised 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 financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interests in joint ventures and associates.

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

- investments in debt investments;
- contingent considerations, and
- options

The preparation of 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.

(c) Changes in accounting policies

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

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

– Amendments to IFRS 9, IAS 39 and IFRS 7, *Interest Rate Benchmark Reform*

– Amendments to IAS 1 and IAS 8, *Definition of material*

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

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

None of these developments have had a material effect on how to the Group's results and financial position for the current or prior periods have been prepared or presented.

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

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 parts in utility tunnel areas, and the investment in the railway transportation areas and infrastructure areas through investing in equity. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) *Disaggregation of revenue*

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

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers within the scope of IFRS 15		
Revenue from intelligent railway transportation services	**1,340,574**	1,008,564
Revenue from infrastructure information services	**209,402**	185,373
	1,549,976	1,193,937

For the year ended 31 December 2020, revenues from transactions with one customer (2019: one customers) has exceeded 10%of the Group's revenue:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**170,074**	246,540

(ii) *Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date*

As at 31 December 2020, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK$2,061,681,000 (31 December 2019: HK$1,991,014,000). This amount represents revenue expected to be recognised in the future from intelligent railway transportation contracts and infrastructure information services 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 36 months (31 December 2019: next 1 to 48 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.

(iii) *Total future minimum payments receivable by the Group related to civil communication transmission services*

	2020	2019
	HK$'000	*HK$'000*
Within 1 year	**167,569**	98,614
After 1 year but within 5 years	**264,879**	266,477
	432,448	365,091

(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 areas 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 years ended 31 December 2020 and 2019. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss on trade receivables and contract asset, 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, 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 years ended 31 December 2020 and 2019 is set out below.

	2020			
	Intelligent railway transportation *HK$'000*	**Infrastructure information** *HK$'000*	**Business development investment** *HK$'000*	**Total** *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	**1,121,006**	**15,931**	**–**	**1,136,937**
Over time	**219,568**	**193,471**	**–**	**413,039**
Revenue from external customers and reportable segment revenue	**1,340,574**	**209,402**	**–**	**1,549,976**
Reportable segment gross profit	**494,267**	**120,992**	**–**	**615,259**
Share of results of joint ventures and associates	**–**	**–**	**(108,168)**	**(108,168)**

	2019			
	Intelligent railway transportation *HK$'000*	Infrastructure information *HK$'000*	Business development investment *HK$'000*	Total *HK$'000*
Disaggregated by timing of revenue recognition				
Point in time	899,334	32,726	–	932,060
Over time	109,230	152,647	–	261,877
Revenue from external customers and reportable segment revenue	1,008,564	185,373	–	1,193,937
Reportable segment gross profit	353,221	71,558	–	424,779
Share of profits of joint ventures and associates	–	–	25,182	25,182

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

	2020 **_HK$'000_**	2019 *HK$'000*
Reportable segment gross profit	**615,259**	424,779
Share of results of joint ventures and associates	**(108,168)**	25,182
Other income	**49,962**	70,758
Selling, general and administrative expenses	**(257,867)**	(227,184)
Impairment loss on trade receivables and contract assets	**(28,842)**	(22,541)
Research expenses	**(135,261)**	(117,928)
Finance costs	**(29,019)**	(27,414)
Fair value change in contingent considerations	**106,840**	(6,304)
Profit before taxation	**212,904**	119,348

(iii) *Geographic information*

All of the Group's revenue are from customers located in the People's Republic of China (the "PRC").

The Group's non-current assets, including property, plant and equipment, intangible assets, goodwill and interests in joint ventures and associates, are all located or allocated to operations located in the PRC.

4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Finance costs

	2020	2019
	HK$'000	*HK$'000*
Interests on bank and other borrowings	**1,948**	15,430
Interests on loans from a related party	**26,084**	11,335
Interest on lease liabilities	**987**	649
	29,019	27,414

(b) Staff costs

	2020	2019
	HK$'000	*HK$'000*
Salaries, wages and other benefits	**296,978**	226,000
Contributions to defined retirement plans	**2,426**	15,622
Cash-settled share-based transaction expenses	**4,810**	505
	304,214	242,127

The employees of the subsidiaries of the Group established in the PRC (other than Hong Kong) 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 the PRC (other than Hong Kong), from the above mentioned retirement scheme at their normal retirement age.

According to the Notice on Periodic Reduction and Exemption of Corporate Social Insurance (Ren She Bu Fa [2020] No.11) issued by Ministry of Human Resources and Social Security of PRC, Ministry of Finance of PRC and State Taxation Administration of PRC, some subsidiaries of the Group enjoyed a reduction of social insurance payment ranged from 50% to 100% for the period from 1 February 2020 to 31 December 2020.

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.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

(c) Other items

	2020 *HK$'000*	2019 *HK$'000*
Cost of inventories *(Note)*	**621,618**	513,946
Auditors' remuneration:		
– statutory audit services	**3,151**	3,182
– other services	**1,519**	1,364
Impairment loss of property, plant and equipment	**21,287**	–
Inventories write-down	**5,477**	10,177
Depreciation charge		
– owned property, plant and equipment	**32,678**	31,549
– right-of-use assets	**7,441**	5,437
Amortisation of intangible assets	**15,771**	25,271
Net (gain)/loss on disposal of owned property, plant and equipment and intangible assets	**(77)**	10,612
Expense relating to short-term leases and leases of low value assets, which not included in the measurement of lease liabilities	**11,621**	7,783

Note:

Cost of inventories includes HK$108,122,000 (2019: HK$120,983,000) 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 4(b) for each of these types of expenses.

5 INCOME TAX

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

	2020 *HK$'000*	2019 *HK$'000*
Current taxation		
– Hong Kong Profits Tax	**2,783**	2,444
– PRC Corporate Income Tax	**34,113**	21,827
	36,896	24,271
Deferred taxation		
– Origination and reversal of temporary differences	**(7,784)**	(15,406)
	29,112	8,865

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

	2020 *HK$'000*	2019 *HK$'000*
Profit before taxation	**212,904**	119,348
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii), (iii) and (iv))*	**53,171**	27,149
Tax effect of non-deductible expenses	**8,273**	4,870
Tax effect of non-deductible fair value changes	**(17,617)**	1,040
Share of results of joint ventures and associates	**18,284**	(3,382)
Non-taxable interest income	**(2,024)**	(1,642)
Non-taxable foreign exchange gains	**(18)**	(2,041)
Tax effect of utilisation of prior years' temporary differences previously not recognised	**(152)**	(1,003)
Tax effect of tax losses and deductible temporary differences not recognised	**6,439**	14,730
Tax concessions *(Notes (v), (vi) and (vii))*	**(37,244)**	(30,856)
Income tax	**29,112**	8,865

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

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

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

(iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2020 (2019: 25%).

(iv) The subsidiary incorporated in India is subject to India Profits Tax rate of 25% for the year ended 31 December 2020.

(v) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2020. In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 75% of the qualified research and development costs incurred by these subsidiaries (2019: 75%).

(vi) Certain subsidiaries of the Group were designated as software enterprises. As such, these subsidiaries were entitled to a two years' exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction. As a result, these subsidiaries enjoyed an exemption from PRC Corporate Income Tax for the year ended 31 December 2020 (2019: exemption from PRC Corporate Income Tax).

(vii) During the year ended 31 December 2020, a subsidiary of the Group met the criteria of Small Low-profit Enterprise and enjoyed a preferential income tax policy. As such, for the subsidiary, the first Renminbi ("RMB") 1 million of taxable profits are taxed at an effective tax rate of 5%; the second and third RMB1 million of taxable profits are taxed at an effective tax rate of 10%.

6 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2020 is based on the profit attributable to ordinary equity shareholders of the Company of HK$168,407,000 (2019: HK$96,870,000) and the weighted average of 2,098,787,000 ordinary shares (2019: 2,100,127,000 ordinary shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
	'000	*'000*
Issued ordinary shares at 1 January	**2,100,127**	2,100,127
Effect of shares repurchased	**(1,340)**	–
Weighted average number of ordinary shares at 31 December	**2,098,787**	2,100,127

The Group has no dilutive ordinary shares outstanding for the year ended 31 December 2020 and 2019. Therefore, there was no difference between basic and diluted earnings per share.

7 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020	2019
	HK$'000	*HK$'000*
Contract assets		
Arising from performance under contracts with customers	**569,521**	451,566
Less: loss allowance	**(49,199)**	(26,845)
	520,322	424,721
Trade receivables and bills receivable from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" *(Note 8)*	**625,267**	471,001

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$41,083,000 (2019: HK$57,473,000), all of which relates to retentions.

(b) Contract liabilities

	2020	2019
	HK$'000	*HK$'000*
Contract liabilities		
Service contracts		
– Billings in advance of performance	**59,722**	31,568

Typical payment terms which impact on the amount of contract liabilities recognised arising from service contracts are as follows:

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

	2020	2019
	HK$'000	*HK$'000*
Balance at 1 January	**31,568**	66,045
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	**(31,820)**	(60,671)
Increase through business combinations	**–**	476
Increase in contract liabilities as a result of billing in advance of service	**56,557**	28,087
Exchange adjustments	**3,417**	(2,369)
Balance at 31 December	**59,722**	31,568

The amount of billings in advance of performance and forward sales deposits received expected to be recognised as income within one year is HK$59,722,000 (2019: HK$31,568,000).

8 TRADE AND OTHER RECEIVABLES

	Note	2020 HK$'000	2019 HK$'000
Trade receivables due from:			
– third parties		**317,040**	271,343
– affiliates of an equity shareholder of the Company		**4,853**	26,227
– an associate of the Group		**–**	3,019
– a joint venture of the Group		**1,196**	–
Bills receivable		**326,479**	184,582
		649,568	485,171
Amounts due from related parties:	*(b)*		
– equity shareholders of the Company and their affiliates		**440**	244
– an associate of the Group		**1,188**	–
– a joint venture of the Group		**–**	1,116
– non-controlling equity holders of a subsidiary of the Group		**–**	2,598
		1,628	3,958
Less: loss allowance of trade receivables		**(24,301)**	(14,170)
Prepayments, deposits and other receivables		**55,165**	62,744
VAT recoverable		**3,975**	18,752
Financial assets measured at amortised cost		**686,035**	556,455
Fair value of put-options in connection with acquisition of Litmus Technologies (Beijing) Co., Ltd.		**1,039**	1,139
		687,074	557,594

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 and bills receivables, based on the invoice date, is as follows:

	2020 HK$'000	2019 HK$'000
Within 1 year	**564,760**	410,511
Over 1 year	**84,808**	74,660
	649,568	485,171

(b) Amounts due from related parties

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

9 TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade payables due to:		
– third parties	**566,530**	540,776
– affiliates of an equity shareholder of the Company	**8,184**	–
– a joint venture of the Group	**4,802**	5,628
– associates of the Group	**7,678**	123
Bills payable	**146,640**	133,569
	733,834	680,096
Amounts due to an affiliate of an equity shareholder of the Company	**–**	234
Accrued expenses and other payables	**126,089**	87,141
Financial liabilities measured at amortised cost	**859,923**	767,471
Other taxes payables	**28,114**	16,364
Put-options in connection with share-based transaction	**5,621**	505
	893,658	784,340

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade and bills payables (which are included in trade and other payables), based on the maturity date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Due within 1 month or on demand	**599,099**	568,855
Due after 1 month but within 6 months	**76,574**	74,928
Due after 6 months but within 1 year	**58,161**	36,313
	733,834	680,096

10 CAPITAL AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

	2020	2019
	HK$'000	*HK$'000*
Final dividend proposed after the end of the reporting period of HK$2.5 cents per ordinary share (2019: HK$2 cents)	**52,428**	42,002

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

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

(b) Share capital

(i) Authorised and issued share capital

	2020		2019	
	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	**2,100,126,727**	**21,001**	2,100,126,727	21,001
Cancellation of shares	**(2,980,000)**	**(30)**	–	–
At 31 December	**2,097,146,727**	**20,971**	2,100,126,727	21,001

(ii) During the year ended 31 December 2020, the Company repurchased its own shares on the Stock Exchange as follows:

Month/year	**Number of shares repurchased**	**Highest price paid per share** ***HK$***	**Lowest price paid per share** ***HK$***	**Aggregate price paid** ***HK$'000***
July 2020	**2,980,000**	**0.42**	**0.38**	**1,190**

The above repurchased shares of the Company were cancelled in December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS ENVIRONMENT

In 2020, despite the impact of the COVID-19 pandemic, the rail transit industry has still achieved a steady growth. According to the data from the China Association of Metros, the length of newly-added urban rail transit lines in operation exceeded 1,241.99 kilometers ("km") in 2020. As of 31 December 2020, 45 cities in Mainland China have opened up rail transit operating lines with a total mileage of over 7,978,19 km. During the 13th Five-Year Plan period, a total of 4,360 km of new urban rail transit lines were put into operation in Mainland China, with an average of 872 km of newly opened lines per year. That means in the five years, the length of newly added urban rail transit lines exceeded the total length of urban rail transit lines before the 13th Five-Year Plan period. As at the end of 2020, the total railway lines and total fixed-asset investments in China's railway transportation accounted for 146,000 km and RMB815 billion, respectively. Major new lines that have opened include Chengdu-Kunming Railway, the Hefei-Huzhou section of Shangqiu-Hefei-Hangzhou High-speed Railway, and Kazuo-Chifeng High-speed Railway. Railway investments remained at a high level.

In 2020, Beijing's rail transit network had a total passenger volume of approximately 2,294 million, and the average daily passenger volume had reached approximately 6.2678 million. With the opening of 3 lines, namely the middle section of Beijing Subway Line 16, the northern extension of Fangshan Line and Yizhuang Tram Line T1, Beijing's rail transit operating mileage reached 727 km, with 24 lines and 428 stations in operation as of the end of 2020.

Under the guidance and support of government policies, the railway and urban rail transit sector in Mainland China will maintain rapid development, thereby driving the rapid development of the entire industry chain involving investment, construction, operation, and maintenance. Under this industry environment, the Group has well achieved its strategic goals of 2020 by virtue of its own advantages and its research and judgement on development opportunities. At the same time, it integrated internal systems and gained momentum to lay the foundation for the future of sustainable growth in future.

BUSINESS REVIEW

Overview

In 2020, due to the impact of the COVID-19 epidemic, the progress of implementation and market expansion of many of the Group's projects under construction had slowed down significantly in the first quarter. However, with the gradual stabilisation of the situation of COVID-19 epidemic prevention and control in China, the Group was able to refocus on its three-year (2019-2021) development strategy of "one body, one platform and one centre" since the second quarter of 2020, safely resumed projects under construction, catched up with the project progress with remarkable results, while continuously increasing market development, to reduce costs and increase efficiency. Our two major businesses, namely the intelligent railway transportation business and the infrastructure information business, have continued to develop with positive results.

The year 2020 is an unusual year with the prevention and control of the COVID-19 pandemic as top priority. The Group held a total of 23 relevant meetings, conveyed over hundred internal messages and released nearly 30 notices and memoranda on COVID-19 pandemic prevention and control, the Company achieved zero infection for nearly 900 employees. Meanwhile, the Group actively support the social pandemic prevention and control work by donating RMB1 million to Wuhan and setting up an intelligent safety control system targeting the comings and goings of individuals for 26 communities in Chaoyang District, Beijing, to fight against epidemic intelligently and provide innovative services.

The Group's operating results increased significantly with continuous improvement of operating quality in 2020, with sales revenue increased approximately 29.8% from the previous year to approximately HK$1,550.0 million. The proportion of the sales revenue from the intelligent railway transportation business to its total revenue increased to approximately 86.5%, as sales revenue from this segment increased approximately 32.9% from the previous year to approximately HK$1,340.6 million. The growth is mainly attributed to the expansion of projects outside Beijing. Sales revenue from the infrastructure information business reached approximately HK$209.4 million, representing a year-on-year increase of approximately 13.0%. The Group's gross margin rose approximately 4.12 percentage points from the previous year to approximately 39.7% in FY 2020 complementing the growth in sales revenue, representing a huge boost in profitability. The profit attributable to equity shareholders was approximately HK$168.4 million, representing an increase of 73.8% as compared to that of the previous year, and dividend per share increased to 2.5 HK$ cents (for the year ended 31 December 2019 ("FY 2019": 2.0 HK$ cents).

The Group adhered to its market strategy of "relying on Beijing and Hong Kong, stepping up presence nationwide, and exploring international markets", and it made great progress in market expansion. The Group participated in some suburban railway projects in Beijing, including Huairou-Miyun Line, and built Beijing Subway Line 11 as a benchmark of intelligent subway. It expanded its businesses to 8 Mainland cities, including Taiyuan, Shaoxing, Harbin, Jiaxing, Handan and Zhuzhou. Moreover, it tapped into four foreign countries, Mexico, Brazil, Romania and Bulgaria. As of the end of 2020, the Group's businesses covered a total of 47 Chinese cities (including Hong Kong) and 15 cities in 9 overseas countries. The Group's aggregate contract amount of orders in hand are approximately HK$2.06 billion as of the end of 2020, which maintained an increase over the same period of last year.

While focusing on the development of its main businesses, the Group has also actively explored innovation in rail transit, and the investment on technology research and development ("R&D") has reached approximately HK$135.3 million, which represented a high level of approximately 8.7% of the total revenue in FY 2020. This investment effectively promoted the transformation of scientific and technological achievements, enhanced the Group's future profitability, and continued to solidify the foundation for upgrading the Group's intelligent railway transportation business. The Group valued intellectual property rights and has obtained 10 new patents (85 in aggregate as of the end of 2020) and 53 software copyright certificates (344 in aggregate as of the end of 2020) in FY 2020, which have been fully applied in a number of projects to maintain a strong level of R&D innovation, and to enhance quality and efficiency for the sustainable development of the Group.

BUSINESS ANALYSIS BY SEGMENT

Intelligent railway transportation business: Development and consolidation

The Group's intelligent railway transportation business mainly involves Passenger Information System (PIS), Automated Fare Collection System (AFC), Automatic Fare Collection Clearing Centre (ACC) and Traffic Control Centre (TCC). The Group continues to expand its main business which focuses on intelligent railway transportation system. It recorded sales revenue of approximately HK$1,340.6 million in 2020, representing a year-on-year increase of approximately HK$332.0 million or 32.9%. The increase in revenue was mainly due to the contribution from a number of key projects such as Zhengzhou Metro Line 4, Taiyuan Metro Line 2, Suzhou Metro Line 5, and Urumqi Metro Line 1.

According to market statistics, market shares of the Group's on-board PIS in high-speed rail, subway and intercity railways accounts for approximately 41%, 28% and 87%, respectively, making it the overall leader for 5 consecutive years, and consolidating its leading position in the on-board PIS industry, with the synergy effect gradually emerging. As for AFC/ACC service, the Group's industry ranking jumped to the third place with a market share of approximately 14.4% in subway in 2020, representing an increase compared to 6.0% in 2019. It successfully moved into the industry's first tier.

Business in Beijing saw stable development. The main projects the Group participated in include Beijing Subway Line 11's AFC, PIS and communication and signalling system projects, Beijing-Chengde Railway, western extension of the sub-centre line, a loop line in northeast Beijing, Huairou-Miyun Line, AFC project of Changping Line's southern extension, Beijing Subway Line 16's PIS project and the Enterprise Resource Planning (ERP) software platform for Pingxifu overhaul factory. It further solidified its leading position in the capital city. Closely following its overall strategy, the Group will actively participate in the construction of the third-phase platform for the intelligent subway and network in Beijing, with the purpose of becoming a major service provider for the subway intelligentisation and upgrading in Beijing. It spared no efforts to increase its market share in Beijing by enriching the existing product lines, building an intelligent subway product system and growing its core AFC, PIS and TCC businesses.

Business in nationwide maintained growth. Contracts signed during 2020 include the on-board PIS projects of Changsha Metro Line 5, Hangzhou Metro Line 4 and Line 6's phase 2 project, Ji'nan Metro Line R3, Shaoxing Metro Line 1, Xiamen Metro Line 3, Fuzhou Metro Lines 5 and 6, and AFC projects of Zhengzhou Metro Line 4, Chengdu Metro's Coordination and Command Centre (COCC) project, Suzhou Metro's NCC project, and the connection of Zhengzhou Metro Line 3's AFC system to Automatic Fare Collection Network Control Centre (ANCC). Breakthroughs were achieved in several projects. In Zhengzhou, a key city where it increased its presence, the Group secured Zhengzhou Metro Line 4's AFC project, another representative project after the ANCC project and the big data cloud platform project. The city has become a key regional hub of its business in Mainland China outside Beijing. The Group offered an on– and off-board integrated intelligent system for the PIS projects of Guangzhou's new metro lines built during the 13th Five-Year Plan Period, through which it has accumulated experience in intelligent urban rail transit projects. Drawing experience from the mature model of "Beijing products + Beijing services", the Group took actions based on the actual local conditions to better expand the market in Mainland China outside Beijing more widely and deeply.

Steady development in overseas markets. Due to the continuing impact of the global epidemic, the Group's overseas business was hindered in 2020 and the pace of market expansion was slowed down. However, due to its competitive advantages in technology and project management, the Group still won some projects in foreign countries, including the hinged vehicle project in Mexico, the cloud rail project in Salvador, Brazil, and the on-board PIS projects in Bulgaria and Romania.

Scientific and technology R&D achievements emerged. Focusing on integrated innovation, the Group is devoted to providing integrated solutions of products and services for the intelligent rail transit industry. It laid down the Plan on Product and Technology System of Intelligent Rail Transit and established an intelligent passenger service system covering the entire mobility chain. The Group took part in some scientific research of national demonstration projects and provided great support for the establishment of Beijing Collaborative Innovation Research Institute of Rail Transit. Meanwhile, R&D innovation achievements have been implemented into several projects. The ACC project in Taiyuan is China's first clearing centre system designed on a microservices architecture. Zhengzhou Metro's intelligent passenger prediction system based on multi-source data can fully integrate the internal production, operation and management data. The unified rail transit data access platform is the core component of its data middle platform of rail transit. The platform has been successfully applied in projects in Beijing, Zhengzhou, Chengdu, Nanjing, etc.. In addition, a series of intelligent devices offering intelligent passenger services, such as pantograph intelligent analysis equipment, car density analysis system and 5G network video storage equipment, have come into demonstration.

Infrastructure information business: Innovation and changes

The Group's infrastructure information business mainly consists of transmission services for subway civil communications and construction of underground utility tunnel's intelligent management system, which are mainly concentrated in Beijing. As for subway civil communications, the Group's revenue model is by charging fees from providing of its civil communication transmission services to China's three major telecom operators, and by gaining shared revenue from mobile data traffic. Meanwhile, in terms of underground utility tunnel's intelligent management system, the Group gained revenue by offering system construction, operation and maintenance services.

In 2020, sales revenue derived from the infrastructure information business was approximately HK$209.4 million, representing a year-on-year increase of approximately HK$24.0 million or 13.0%. The growth in revenue of this segment is mainly due to the addition of 4G 100-gigabit port transmission business for civil communications.

As an important part of the infrastructure information segment, the Group refined the operation of its existing civil communications business in 2020, to increase the value of civil communications assets. It explored new markets and approached new customers and created new revenue by expanding the business of innovative valued-added products and services. As of the end of 2020, the Group's civil communications service covered 22 metro lines and 212 metro stations in Beijing. Besides, the number of 4G 100-gigabit resources used by the three major telecom operators increased by more than 170. Its self-built civil communications transmission system of Fangshan Line's northern extension was put into operation along with the line at the end of 2020. The rebuilding, operation and maintenance of existing railways were carried out in an orderly manner. Moreover, the Group continues to explore value-added businesses such as fiber optic transmission and server room rental.

Utility tunnel and intelligence+ businesses saw rapid development. The Group continued to make efforts in the field of utility tunnel. It built a leading Chinese, self-developed and patented intelligent utility tunnel management platform. Actions were taken to steadily push forward with key projects, including Beijing 2022 Winter Olympics, Beijing New Airport Line, eastern extension of Beijing Subway Line 7 and Future City of Science. Relying on the existing platform and combining converged communications, facial recognition and other independent core technologies, the Group has created an intelligent site management system in relation to personnel and material positioning, video surveillance, labour service of utility tunnel, environmental monitoring, material management and personnel communications, and integrating background software and end-user equipment. The system has been used in the intelligent site construction of projects, including Beijing Subway Line 11 and Pinggu line, which has enhanced the intelligent construction level for infrastructure. As far as intelligent communities is concerned, the Group rides on its R&D capabilities to set up an intelligent safety control system targeting the comings and goings of individuals in and out of communities, in order to improve its quarantine efficiency and safety to fight against the pandemic. A statistical reporting system was released, which promoted collective prevention and control and improve the effectiveness of pandemic prevention. Moreover, the Group actively collaborated with governmental departments to facilitate the construction of an integrated hub in the sub-centre of Beijing, an important fulcrum of the "Beijing-Tianjin-Hebei region on railway" and the largest Asian underground transportation hub. Joint efforts were made to develop a safety control platform system featuring risk detection, identification and elimination. This has lifted its intelligent control to a higher level in an all-round manner. The Group's infrastructure information business, representing one of the major application scenarios in smart cities, will have broad market development potential in the long run.

Investments and joint ventures: Coordination and upgrading

In 2020, with the moves to promote the rapid development of its main businesses and accelerate the expansion of new businesses, the Group closely followed the development trend of rail transit intelligentisation to seek and maintain potential investment projects according to business synergy, company size and other screening conditions, expand backup resources, and conduct regular review and follow-up of key projects. It will optimise the strategic investment and industrial investment to upgrade industries and enhance industrial competitive edge. The management of the Group and the companies it invested in will be integrated from all dimensions, so as to further strengthen post-investment management and control, and promote business synergy and capital appreciation. At the same time, the Group has also actively explored in the new media business of Smart Metro.

The Group also strengthened the control and coordination of the companies it invested in and controlled, adopted differentiated management, optimised and integrated resources, and realised synergic effect.

- Due to the pandemic, the Beijing Subway Capital Airport Express operated by Beijing Metro Co., Ltd.* (北京京城地鐵有限公司) ("Beijing Metro"), a joint venture of the Group, transported approximately 4.5665 million passengers in 2020, or 12,500 passengers a day on average, representing a decrease of approximately 64% from 2019. Beijing Metro actively responded to the negative impact through various means, such as putting new lines into operation, reducing costs and increasing efficiency, and seeking for policy support.

- Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司) ("Metro Science and Technology"), a joint venture of the Group, consolidated its main business of AFC operation and maintenance. At the same time, it intensified efforts to develop intelligent operation and maintenance and information security assessment services, and set up a big data platform. However, both its revenue and profit went down year on year in 2020 due to delay of its integration project, adjustment to the cooperation model in Mainland China (other than Beijing).

- The registered users of "Yitongxing" APP developed by the Group's joint venture reached 25 million and has been extended to pay most public transport fares during the year. Currently, the service has been expanded to Shanghai, Hohhot and other provinces and cities, which enables interprovincial and intercity connection. The joint venture turned for profitability.

- Meanwhile, the Group has actively explored new potential businesses and joint-venture projects via 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"). It carefully selected investment targets, incubated high-quality companies, and identified new partners for the Group's future business collaboration.

BUSINESS PROSPECTS

Industry momentum remains strong and steady

China's rail transit industry will maintain a high-speed development in 2021. As mentioned in the "Outline of Building China into a Country with Strong Transportation Network", China will continuously turn itself into a country with strong transportation network in two stages from 2021 to midcentury. The China rail transit network estimated that a total of 69 rail transit lines in 35 cities, including Jinhua, Hefei, Guangzhou and Beijing, will commence operation in 2021, with a total mileage of approximately 1,700.69 km, 993 stations and a total investment of RMB1.1468 trillion. Meanwhile, the construction of 39 urban rail transit lines in 25 cities, including Jinhua, Chongqing and Ji'nan, is expected to begin this year. The length of the rail transit lines will reach 1,043.77 km, with 440 stations to be built. The investment will cost a total of RMB517.214 billion. China is expected to build its strength in transportation by 2035, which it will take one hour to commute in urban areas, two hours to reach urban agglomerations, and three hours to cover major cities in China. In addition, China will vigorously develop intelligent rail transit by promoting the in-depth integration of big data, internet, artificial intelligence and other new technologies with the transportation industry, and set up an integrated traffic big data centre system. Investments in China's urban rail transit market tend to rise steadily in the coming years.

The Group's revenue mainly derived from the provision of PIS, AFC and other information based systems used in the construction of new railway lines and urban rail transit lines. The market demand was closely related to the total length of the new metro lines. Moreover, as a growing number of metro lines has been put into operation, the rail transit in many first tier and second tier cities showed a new trend of network-based operation and management. Therefore, new network-level systems, including ACC, TCC and big data centre, should be urgently established for unified scheduling and management in these cities. The new fast growing demands have brought new business opportunities for the Group.

Policy environment is continuously optimised

In recent years, with the implementation of "Made in China 2025 development outline", "the construction outline of a strong transportation country", "China's urban rail transportation smart urban rail development outline" and a series of rail transportation related high precision industry policies, the policy environment of the rail transportation industry continues to be optimised. In the "Made in China 2025 development outline", the advanced rail transit equipment field is listed as one of the top 10 key fields. China will push forward with equipment and technology upgrading, and accelerate the elimination of outdated technologies and energy intensive and inefficient transportation equipment. With a mission of focusing on urban rail to build national strength in transportation, a blueprint for the development of smart urban rail is gradually built. In the meantime, according to proposals for the 14th Five-Year Plan, China will take self-reliance and self-improvement in science and technology as the strategic focus of country's development, and uphold the core position of innovation in its modernisation drive. Moreover, the total investment in intercity high-speed rail and rail transit sectors, as a major force in the seven fields of "new infrastructure", is expected to reach the highest level at RMB34,400 trillion from 2020 to 2025.

Accordingly, taking "science and technology plus innovation" as the core strategic target, the Company will integrate into the development of big data, cloud platforms, artificial intelligence and other cutting-edge technologies. It will give a priority to the business in the key parts of the rail transit industry to create complete solutions of intelligent rail transit, with forward-looking product planning and research as the starting point, and with collaborative innovation as the purpose.

The Group will focus on developing primary businesses and ride on investment and innovation to achieve steady and sustained growth

The Group, an enterprise specialising in the field of rail transit, integrating investment and financing, technology R&D, and intelligent rail transport construction, operation and maintenance, will insist on the strategy of "one body, one platform, and one centre". Driven by technological innovation and management innovation, it will promote scientific and technological empowerment and high-quality development to ensure steady and sustained development.

It will enrich the product system of intelligent rail transit via integrated innovation and service upgrading

With the progress in rail transit informatisation in network communication technology, cloud computing, big data, artificial intelligence and other aspects, the Group will continuously make rail transit cloud-based, digital and intelligent after satisfying the basic needs of organisation and management operations and security service guarantee. Efforts will be made to reduce the number of tiers of the technology architecture, the integration of business directions, and the intellectualisation of professional systems. Finally, an architecture with management in the cloud and service in the terminal will take shape. To this end, the Group will pay close attention to the intelligent development trend of rail transit, build a new generation of intelligent rail transit technology architecture and create an overall product system of "1+5+N" through integrated innovation. The focus will be on upgrading passenger service products, strengthening operation scheduling products, and adding operation and maintenance management products and train equipment products. It is committed to providing solutions covering the whole life cycle of rail transit systems for owners. To this end, the Group will continue to maintain a high standard of R&D investment and make a good reserve for technological innovation.

It will build a professional investment control platform to focus on its main business while developing other businesses

The Group will keep focusing on the development of network-level traffic control centre and line-level core systems of the intelligent rail transit. It will improve information systems integration and facilitate the implementation of large projects, in order to gradually develop stable integrated technology + product solutions. The proportion of its self-developed products in key parts will be increased to further improve its gross margin. In addition, the Group will primarily take on a controlling role, if not a minority investor, in businesses that are crucial in providing rail transit solutions. Targeted investment and merger and acquisition of outstanding companies will help the Group enhance its ability to operate businesses, extend the scope of businesses, and lift the businesses to a higher level. It will set up an alliance of business ecosystem and team up with quality partners in technologies, products, scenarios, etc.. Furthermore, the empowered and menu-like management and control model will be adopted to accurately match resources, so as to improve strategic match and achieve coordinated development.

It will step up its presence in the existing markets and foray into new markets, and remain steadfast in its market expansion strategies

As the number of cities where rail transit lines have come into service and the length of rail transit lines are on the rise, the Group will insist on its market strategy of "relying on Beijing and Hong Kong, stepping up presence nationwide, and exploring international markets", consolidate the position of Beijing as the stronghold of its businesses, and increase the coverage and market share of its businesses in the city. It will strive to offer "Beijing products" and "Beijing services" to serve the construction of four rail transit lines in the capital, with a view to boosting the new development of Beijing's rail transit industry. Actions will be taken to establish a nationwide market network, speed up efforts to build regional hubs, and strengthen development in key regions such as the Beijing-Tianjin-Hebei region, the Yangtze River Delta, the Guangdong-Hong Kong-Macao Greater Bay Area, and the Chengdu-Chongqing region. Taking root in Hong Kong, under the premise of controllable risks and mature models, the Group will actively tap into overseas markets and open up new markets by assisting, undertaking and participating in construction, etc. and adopting the strategy of "going out together".

Continuous efforts will be made on pandemic prevention and control

In 2021, the Group will maintain high standards of pandemic prevention and control and implement policies under the normalisation of pandemic prevention and control. Efforts will be made to overcome the adverse effects of the pandemic, clarify the plan to work on priorities and intensify market expansion. It will build quality projects that can "promote transformation, increase functionality and benefit long-term", and expand and strengthen its core primary businesses. With targeted investment, it will actively seek new growth points to ensure stable and sustained development. Meanwhile, the Group's current asset-liability ratio is relatively reasonable and the cash on book remains sufficient. The COVID-19 pandemic will not affect the Group's sustainability. Overall, the current COVID-19 pandemic has limited impact on the Group's operating performance.

In the future, the Group will keep up with industry development trends and remain steadfast in its strategies. The focus will still fall on its core businesses. Deepening scientific and technological innovation, and it will strive to create a flagship brand based on “rail+technology”.

FINANCIAL REVIEW

Revenue

The Group recorded revenue of approximately HK$1,550.0 million in FY 2020, representing an increase of approximately HK$356.1 million or 29.8% from FY 2019. Revenue from intelligent railway transportation services and infrastructure informatisation services accounted for approximately 86.5% and 13.5% of the total revenue, respectively.

The Group mainly operates its businesses in Mainland China and Hong Kong. For FY 2020, the Group recorded revenue of approximately HK$1,508.5 million in Mainland China, representing an increase of approximately HK$384.5 million as compared to FY 2019. The significant growth in revenue in Mainland China was mainly attributed to: (1) the expansion of the projects of Zhengzhou Metro Line 4, Hebei Jingche Rail Transit Vehicle Equipment, Taiyuan Metro Line 2, Fuzhou Metro Line 6, Urumqi Metro Line 1, etc., and the first-time revenue recognition; and (2) the consolidation of the revenue from the acquisition of the Huaqi Intelligent and Litmus in March and December 2019 respectively into its total full-year revenue.

Cost of sales

The Group’s cost of sales was approximately HK$934.7 million in FY 2020, representing an increase of approximately HK$165.5 million or 21.5% from FY 2019. The increase in cost of sales was mainly due to the increase in the cost in line with the increased revenue.

Gross profit

The Group’s gross profit was approximately HK$615.3 million in FY 2020, representing an increase of approximately HK$190.5 million or 44.8% from FY 2019. The increase in gross profit was mainly due to a rise in its business volume.

Investment income

The Group recorded a negative investment income of approximately HK$108.2 million. The decrease in investment income was mainly due to a decline in passenger flow of the Group’s joint venture, Beijing Metro, which led to a decrease in ticket revenue and the postponement of some projects of the Group’s joint venture, Metro Science and Technology.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses were approximately HK$257.9 million in FY 2020, representing an increase of approximately HK$30.7 million or 13.5% from FY 2019. The increase was mainly due to the increase in the Group's business volume, which led to an increase in sales and management expenses, and Huaqi Intelligent and Limus acquired in March and December 2019 were incorporated into their annual sales, general and administrative expenses during this year.

Profit attributable to equity shareholders of the Company

The profit attributable to equity shareholders of the Company was approximately HK$168.4 million in FY 2020, representing a year-on-year increase of approximately 73.8%. Earnings per share were HK$0.08, representing a year-on-year increase of 73.9%.

Liquidity, financial and capital resources

Capital structure

As at 31 December 2020, the Group's issued share capital consisted of 2,097,146,727 ordinary shares of HK$0.01 each (FY 2019: 2,100,126,727 ordinary shares of HK$0.01 each).

Cash position

As at 31 December 2020, the Group's cash on hand and in bank was approximately HK$983.8 million (FY 2019: approximately HK$850.9 million).

Borrowings and pledged assets

As at 31 December 2020, the Group's borrowings were approximately HK$571.4 million (FY 2019: approximately HK$559.9 million), of which HK$500 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, Beijing Infrastructure Investments Co., Ltd.* (北京市基礎設施投資有限公司), and the remaining was bank borrowings amounted to approximately HK$71.4 million.

Working capital and gearing ratio

As at 31 December 2020, the Group had current assets of approximately HK$2,828.9 million (FY 2019: approximately HK$2,505.4 million), while its current liabilities were approximately HK$1,654.5 million (FY 2019: approximately HK$986.9 million), resulting in net current assets of approximately HK$1,174.4 million (FY 2019: approximately HK$1,518.5 million). As at 31 December 2020, the current ratio, calculated based on current assets divided by current liabilities, was approximately 1.7 (FY 2019: approximately 2.5).

Gearing ratio is calculated based on total debts at the end of a period divided by total assets at the end of such period multiplied by 100%. As at 31 December 2020, the Group's gearing ratio was 40.6% (FY 2019: 43.7%).

Foreign exchange exposure

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

Contingent liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities (FY 2019: nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed a total of 892 employees, (including the Executive Directors) (FY 2019: 889). The total staff costs, including Directors' remuneration, were approximately HK$304 million (FY 2019: approximately HK$242 million).

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 share options, 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.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

There were no other significant events arising subsequent to FY 2020 as at the date of this announcement.

AUDIT COMMITTEE

The Company established the audit committee ("**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 C.3.3 and C.3.7 of the Corporate Governance Code as set forth in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**").

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.

As at 31 December 2020, the Audit Committee consists of three independent non-executive Directors, namely Mr. Luo Zhenbang *CPA* (chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee has reviewed the Group's annual results for 2020 financial year and recommended to the Board for approval.

KPMG'S SCOPE OF WORK ON THIS ANNUAL RESULTS ANNOUNCEMENT

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this annual results announcement have been compared by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.

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

The Company repurchased a total of 2,980,000 shares of the Company on the Stock Exchange during the year ended 31 December 2020 as set out below:

		Repurchase price per share		
Month	**Number of Shares repurchased**	**Highest**	**Lowest**	**Aggregate price paid**
		HK$	*HK$*	*HK$'000*
July	2,980,000	0.42	0.38	1,190
Total	2,980,000			1,190

The Directors considered that the share repurchases were in the interest of the Company and the Shareholders as a whole. All repurchased shares were cancelled on 29 December 2020.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any listed securities of the Company during the FY 2020.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code as its code of corporate governance. According to the Board of Directors, the Company has complied with the Corporate Governance Code for 2020 financial year.

FINAL DIVIDEND

In view of the business growth of the Group and in response to the long term support of the shareholders of the Company, the Board recommended the declaration of a final dividend of HK$0.025 per share for 2020 financial year (FY 2019: HK$0.02 per share). The proposed final dividend will be payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 4 June 2021, subject to the approval of the shareholders of the Company at the 2021 annual general meeting ("**2021 AGM**"). It is expected that the final dividend will be paid on or before Tuesday, 31 August 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2021 AGM to be held on Wednesday, 26 May 2021, the register of members of the Company will be closed from Friday, 21 May 2021 to Wednesday, 26 May 2021 (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 2021 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Thursday, 20 May 2021 (Hong Kong time).

For determining the entitlement to the proposed final dividend (subject to the approval by the shareholders of the Company at the 2021 AGM), the register of members of the Company will be closed from Wednesday, 2 June 2021 to Friday, 4 June 2021 (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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 1 June 2021 (Hong Kong time).

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Wednesday, 26 May 2021. Shareholders of the Company should refer to details regarding the 2021 AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement has been published on the website of the Company at www.biitt.cn and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2020 annual report of the Company will be despatched to the shareholders of the Company and published 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, 30 March 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 Mr. Ren Yuhang; and the independent non-executive Directors are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.

* *For identification purposes only.*