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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 2022**

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 2022 (the “**Period**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the six months ended 30 June 2022 – unaudited**(Expressed in Hong Kong dollars (“HK\$”))*

		Six months ended 30 June	
	<i>Note</i>	2022	2021
		HK\$'000	HK\$'000
Revenue	4	573,857	518,272
Cost of sales		(386,997)	(287,656)
Gross profit		186,860	230,616
Other income		13,521	22,640
Selling, general and administrative expenses		(118,334)	(110,764)
Impairment loss reversal of/(recognised on) trade and other receivables and contract assets		3,130	(4,923)
Research expenses		(76,997)	(78,523)
Profit from operations		8,180	59,046
Finance costs	5(a)	(5,248)	(14,118)
Share of results of joint ventures and associates		21,113	41,805
Fair value change on other financial assets		1,955	–
Fair value change on contingent considerations		1	880
Profit before taxation	5	26,001	87,613
Income tax	6	2,022	(9,761)
Profit for the period		28,023	77,852
Attributable to:			
Equity shareholders of the Company		32,552	80,021
Non-controlling interests		(4,529)	(2,169)
Profit for the period		28,023	77,852
Earnings per share			
– Basic and diluted (HK\$)	7	0.0155	0.0382

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022 – unaudited

(Expressed in HK\$)

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Profit for the period	28,023	77,852
Other comprehensive income for the period (after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	<u>(118,995)</u>	<u>27,203</u>
Total comprehensive income for the period	<u>(90,972)</u>	<u>105,055</u>
Attributable to:		
Equity shareholders of the Company	(83,951)	106,276
Non-controlling interests	<u>(7,021)</u>	<u>(1,221)</u>
Total comprehensive income for the period	<u>(90,972)</u>	<u>105,055</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022 – unaudited

(Expressed in HK\$)

		At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment		201,083	207,971
Intangible assets		217,823	232,366
Goodwill		589,001	616,088
Interests in joint ventures and associates		427,896	418,723
Other financial assets		66,505	67,576
Contingent considerations		27	27
Deferred tax assets		41,460	40,188
		<u>1,543,795</u>	<u>1,582,939</u>
Current assets			
Inventories and other contract costs		507,623	471,224
Contract assets	8(a)	670,903	631,030
Trade and other receivables	9	808,346	833,202
Loans to an associate		–	4,892
Cash on hand and in bank		717,901	893,375
		<u>2,704,773</u>	<u>2,833,723</u>
Current liabilities			
Trade and other payables	10	1,074,068	1,076,210
Contract liabilities	8(b)	73,405	68,799
Bank and other borrowings	11	42,135	48,775
Lease liabilities		18,320	17,747
Current taxation		22,935	24,508
Provision for warranties		10,271	9,895
		<u>1,241,134</u>	<u>1,245,934</u>
Net current assets		<u>1,463,639</u>	<u>1,587,789</u>
Total assets less current liabilities		<u>3,007,434</u>	<u>3,170,728</u>

		At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
	<i>Note</i>		
Non-current liabilities			
Bank and other borrowings	<i>11</i>	300,000	300,000
Lease liabilities		28,693	40,520
Deferred tax liabilities		47,944	51,589
Deferred income		4,955	4,938
Provision for warranties		1,829	1,787
		<u>383,421</u>	<u>398,834</u>
NET ASSETS		<u>2,624,013</u>	<u>2,771,894</u>
CAPITAL AND RESERVES			
Share capital		20,971	20,971
Reserves		2,498,329	2,639,189
Total equity attributable to equity shareholders of the Company		<u>2,519,300</u>	<u>2,660,160</u>
Non-controlling interests		<u>104,713</u>	<u>111,734</u>
TOTAL EQUITY		<u>2,624,013</u>	<u>2,771,894</u>

NOTES TO THE UNAUDITED 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 information of the Company as at and for the six months ended 30 June 2022 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”).

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2022 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of 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.

These 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 2021 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 2021 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 2021 are available from the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in the independent auditor’s report dated 29 March 2022.

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IFRS 16, *Property, plant and equipment: Proceeds before intended use*
- Amendments to IFRS 37, *Provisions, contingent liabilities and contingent assets, Onerous contracts – cost of fulfilling a contract*

None of these developments has had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial 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:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Revenue from contracts with customers within the scope of IFRS 15		
Disaggregated by major service lines		
– Revenue from intelligent railway transportation services	503,162	414,082
– Revenue from infrastructure information services	70,695	104,190
	<u>573,857</u>	<u>518,272</u>
Disaggregated by geographical location of customers		
– Mainland China	542,396	468,965
– Hong Kong	16,945	27,201
– India	14,516	22,106
	<u>573,857</u>	<u>518,272</u>

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 2022 and 30 June 2021. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss reversal of/(recognised on) trade and other receivables and contract assets, research expenses, finance costs fair value change on other financial assets 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 2022 and 30 June 2021 are set out below.

	Six months ended 30 June 2022			
	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>
Disaggregated by timing of revenue recognition				
Point in time	444,004	110	–	444,114
Over time	59,158	70,585	–	129,743
Revenue from external customers and reportable segment revenue	<u>503,162</u>	<u>70,695</u>	<u>–</u>	<u>573,857</u>
Reportable segment gross profit	<u>152,686</u>	<u>34,174</u>	<u>–</u>	<u>186,860</u>
Share of results of joint ventures and associates	<u>–</u>	<u>–</u>	<u>21,113</u>	<u>21,113</u>
	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>
Disaggregated by timing of revenue recognition				
Point in time	348,590	1,956	–	350,546
Over time	65,492	102,234	–	167,726
Revenue from external customers and reportable segment revenue	<u>414,082</u>	<u>104,190</u>	<u>–</u>	<u>518,272</u>
Reportable segment gross profit	<u>165,568</u>	<u>65,048</u>	<u>–</u>	<u>230,616</u>
Share of results of joint ventures and associates	<u>–</u>	<u>–</u>	<u>41,805</u>	<u>41,805</u>

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

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Reportable segment gross profit	186,860	230,616
Share of results of joint ventures and associates	21,113	41,805
Other income	13,521	22,640
Selling, general and administrative expenses	(118,334)	(110,764)
Impairment loss reversal of/(recognised on) trade and other receivables and contract assets	3,130	(4,923)
Research expenses	(76,997)	(78,523)
Finance costs	(5,248)	(14,118)
Fair value change on other financial assets	1,955	–
Fair value change on contingent considerations	1	880
	26,001	87,613

5 PROFIT BEFORE TAXATION

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

(a) **Finance costs:**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Interests on bank loans	858	625
Interests on loans from a related party	2,587	12,899
Interest on lease liabilities	1,803	594
	5,248	14,118

(b) **Other items:**

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Depreciation charge		
– owned property, plant and equipment	14,999	20,851
– right-of-use assets	9,030	3,910
Amortisation of intangible assets	11,532	11,371
Interest income	(3,328)	(5,514)
Investment income	–	(1,723)
Government grants	(7,469)	(16,370)
Net foreign exchange (gain)/loss	(2,279)	207
Net loss on disposal of property, plant and equipment	45	13

6 INCOME TAX

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong Profits Tax (<i>Note (i)</i>)	1,434	2,201
– PRC Corporate Income Tax (<i>Note (iv)</i>)	826	9,764
	2,260	11,965
Deferred taxation:		
– Origination and reversal of temporary differences	(4,282)	(2,204)
	(2,022)	9,761

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 2022 (six months ended 30 June 2021: 16.5%), except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime.

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2021.

- (ii) One subsidiary of the Group incorporated in India is subject to income tax rate of 25% for the six months ended 30 June 2022, pursuant to the rules and regulations of India (six months ended 30 June 2021: 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 2022 (six months ended 30 June 2021: 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 2022 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$32,552,000 (six months ended 30 June 2021: HK\$80,021,000) and the weighted average of 2,097,147,000 ordinary shares (2021: 2,097,147,000 ordinary shares) in issue during the interim period.

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2022 and 2021. Therefore, there was no difference between basic and diluted earnings per share.

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Contract assets		
Arising from performance under contracts with customers	722,249	686,535
Less: loss allowance	<u>(51,346)</u>	<u>(55,505)</u>
	<u>670,903</u>	<u>631,030</u>

(b) Contract liabilities

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Contract liabilities		
Service contracts		
– Billings in advance of performance	<u>73,405</u>	<u>68,799</u>

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Trade receivables due from (<i>Note 9(a)</i>):		
– third parties	462,352	484,688
– affiliates of an equity shareholder of the Company	62,737	67,477
– a joint venture of the Group	1,115	1,167
Bills receivable	<u>200,243</u>	<u>187,303</u>
	<u>726,447</u>	<u>740,635</u>
Amounts due from related parties (<i>Note 9(b)</i>):		
– equity shareholders of the Company and their affiliates	5,141	6,792
Less: loss allowance	(24,881)	(27,390)
Prepayments, deposits and other receivables	84,545	97,295
VAT recoverable	<u>16,072</u>	<u>14,801</u>
Financial assets measured at amortised cost	807,324	832,133
Fair value of put-options in connection with acquisition of a subsidiary	<u>1,022</u>	<u>1,069</u>
	<u>808,346</u>	<u>833,202</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 2022 HK\$'000	At 31 December 2021 HK\$'000
Within 1 year	600,837	597,147
Over 1 year	<u>125,610</u>	<u>143,488</u>
	<u>726,447</u>	<u>740,635</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 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Trade payables due to (<i>Note 10(a)</i>)		
– third parties	635,582	625,225
– affiliates of equity shareholders of the Company	55,417	55,724
– a joint venture of the Group	9,165	11,048
– associates of the Group	7,154	1,407
Bills payable (<i>Note 10(a)</i>)	<u>114,972</u>	<u>129,891</u>
	822,290	823,295
Payable for acquisition of Suzhou Huaqi Intelligent Technology Co., Ltd.	87,418	91,438
Amounts due to the equity shareholder of the Company	406	–
Accrued expenses and other payables	72,198	116,341
Dividends payable	<u>58,730</u>	<u>2,107</u>
Financial liabilities measured at amortised cost	1,041,042	1,033,181
Other taxes payables	21,640	31,456
Put-options in connection with share-based transaction	<u>11,386</u>	<u>11,573</u>
	<u>1,074,068</u>	<u>1,076,210</u>

At 30 June 2022, 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 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Due within 1 month or on demand	731,729	719,554
Due after 1 month but within 6 months	73,322	92,733
Due after 6 months but within 1 year	<u>17,239</u>	<u>11,008</u>
	<u>822,290</u>	<u>823,295</u>

11 BANK AND OTHER BORROWINGS

	At 30 June 2022 <i>HK\$'000</i>	At 31 December 2021 <i>HK\$'000</i>
Bank loans		
– Guaranteed and unsecured	32,780	35,321
– Unguaranteed and unsecured	9,355	13,454
Borrowings from a related party	<u>300,000</u>	<u>300,000</u>
	<u>342,135</u>	<u>348,775</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 2022 (six months ended 30 June 2021: 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 2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved during the following interim period, of HK\$2.7 cents (six months ended 30 June 2021: HK\$2.5 cents) per ordinary share	<u>56,623</u>	<u>52,428</u>

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS ENVIRONMENT

In the first half of 2022, the international environment became more complex and severe, and the COVID-19 pandemic in Mainland China recurred. Affected by unexpected factors impacting economic development, in the first half of the year, China's GDP growth rate was 2.5%, representing a year-on-year decrease of approximately 10.2 percentage points. Under this context, the growth rate of rail transit construction in Mainland China has slowed down, and passenger flow has continued to decline. According to the data from China State Railway Group, in the first half of the year, the national railway fixed asset investment was approximately RMB285.3 billion, a decrease of approximately 4.6% from the same period of last year, and the investment amount hit a six-year low; and the mileage of new urban rail transit lines was approximately 366.9 kilometres, a decrease of approximately 23.4% from the same period last year. In addition, in terms of rail transit passenger flow, in the first half of the year, the railway passenger volume in Mainland China was approximately 760 million, a decrease of approximately 42.7% compared with the same period of the previous year; the total passenger volume of Beijing's rail transit network was approximately 1.09 billion, and the average daily passenger volume was approximately 6.02 million, a decrease of approximately 26.8% from the same period last year. At the same time, factors such as geopolitical conflicts have further exacerbated the supply of raw materials, which have a more profound adverse impact on economic activities and industrial recovery.

On the whole, in the first half of the year, due to delays in the bidding and acceptance of some projects relating to domestic high-speed rail, urban rail business and overseas business, the Group encountered certain obstacles in its market expansion, and the progress of some ongoing projects was affected. At the same time, under the current situation, the Mainland Chinese government was facing stronger pressure to increase revenue and reduce expenditure, and the management requirements for rail transit operations to reduce costs and increase efficiency are more refined. In addition, due to the resonance of external complex factors in the first half of the year, the price of raw materials and other items rose sharply, as a result, the profit margins of some of the Group's products were reduced.

Since June 2022, with the effective implementation of a series of policies and measures to stabilise the economy in various places, the national economy has showed signs of stabilising and recovery, with various major economic indicators significantly improving month-on-month. Along with the macro stabilisation, industries such as rail transit have also gradually shown a recovery trend. In addition, under the background of various emerging technologies, the further reconstruction of passenger travel and behaviour patterns, services and management and control patterns are gradually realised, and the development trend of intelligent rail transit in Mainland China continues to be enhanced, which will also generate new business development opportunities.

OVERVIEW OF BUSINESS SITUATION

In the first half of 2022, although affected by the decline in railway fixed asset investment, the Group had adhered to high-quality pandemic prevention and control, and development strategy, to actively expand domestic and foreign markets, and adopted management optimisation measures. However, due to the serious impact on the overall industry development environment and the resurgence of the COVID-19 pandemic in core business regions, the performance of the Group declined compared with the same period last year.

In the first half of the year, the Group recorded revenue of approximately HK\$573.9 million, representing a year-on-year increase of approximately 10.7%. Among which, the income from intelligent railway transportation business was approximately HK\$503.2 million, representing a year-on-year increase of approximately 21.5%, and the income from infrastructure information business was approximately HK\$70.7 million, representing a year-on-year decrease of approximately 32.1%. In the first half of the year, the Group achieved a gross profit margin of approximately 32.6%, representing a year-on-year decrease of 11.9 percentage points. Profit attributable to equity shareholders was approximately HK\$32.6 million, representing a year-on-year decrease of approximately 59.3%. The fluctuation of profit performance was mainly due to the delivery and acceptance of the Group's Shaoxing Metro Line 1 project in the first half of the year. Such project accounted for a relatively high proportion of the revenue and costs of the Group's intelligent railway transportation business. Due to the relatively low gross profit margin of the project, the relatively high proportion of the revenue and costs that it accounted for resulted in a decline in the overall gross profit margin of the Group's intelligent railway transportation business. The intelligent railway transportation business represented a relatively high proportion of the Group's business. Excluding the Shaoxing Metro Line 1 project, the Group's business income structure remained generally stable, and the gross profit margin of the business remained stable as compared with the same period of last year. In addition, the Group's investment income from its joint ventures, Beijing Metro Co., Ltd.* (北京京城地鐵有限公司) (“**Beijing Metro**”) and Beijing Cornerstone Chuangying Investment Center (Limited Partnership)* (北京基石創盈投資中心(有限合夥)) (“**Cornerstone Chuangying**”), decreased, resulting in a decrease in the share of results of joint ventures and associates compared to the same period last year.

In the first half of the year, the Group's selling, general and administrative expenses amounted to approximately HK\$118.3 million, representing a year-on-year increase of 6.8%, mainly due to the relocation of the Group's office during the period involving relocation costs and the increase in transitional rental costs. In response to the above situation, the Group actively sought government relief policies such as rent reduction and exemption, and implemented a series of cost reduction and efficiency enhancement measures in internal management, thus achieving effective control of overall expenses.

In the first half of the year, the net cash outflow from the Group's operating activities was approximately HK\$221.0 million, which was mainly due to the impact of the COVID-19 pandemic, delayed delivery of projects and lower repayment rate. It is expected to improve in the second half of the year. The gearing ratio remained at approximately 38.2%, and the debt level was reasonable. The Group's overall financial position remained healthy.

BUSINESS REVIEW

In the first half of the year, the Group continued to focus on its competitive products and solutions such as Passenger Information System (“**PIS**”) and Automatic Fare Collection System (“**AFC**”), enhanced its market expansion efforts, diversified its communication channels with customers, implemented a series of safeguard measures, and further enhanced market coverage and service competitiveness. The Group successfully entered the markets of Chuzhou and Wuxi for the first time in Mainland China, and at the same time, the Group developed the first overseas project in Kuala Lumpur, Malaysia, and the business has covered 51 cities in China and 23 cities in 14 overseas countries and regions. The Group continuously implemented the market strategy of “relying on Beijing and Hong Kong, expanding across the country, and making presence in international markets”. However, due to the impact of the external environment, the amount of newly signed projects and the orders on hand both declined. As at 30 June 2022, the Group had orders on hand of approximately HK\$2.03 billion, a decrease of approximately 8.2% from the end of 2021.

In the first half of the year, the Group continued to focus on the development of its main business and closely followed the development trend of intelligent railway transportation construction. Against the backdrop of repeated COVID-19 epidemic in Mainland China, the Group overcame difficulties and began operations of eight railway lines in seven locations, including Hangzhou, Fuzhou, Shaoxing, Guangzhou, Zhangjiajie, and India. In particular, the Group began operating the main line of Shaoxing Metro Line 1, and once again realised the output of “Beijing Experience” of intelligent railway transportation. At the same time, the Group seized the opportunity of new infrastructure development, further developed the business cooperation with the three major telecom operators, and created the “Beijing Model” of rail transit and civil communication cooperation. The Group realised the full coverage of 2G, 4G and 5G communication modes, locked in the stable income of the Group’s civil communication business in the next five years, and the Group’s unique advantages in this field have been further established. The Group actively participated in the construction of Beijing Dongba Smart Community and associated centre hub smart construction site, provided service support for smart city construction, and actively cultivated new business growth opportunities while consolidating traditional business advantages.

BUSINESS ANALYSIS BY SEGMENT

Intelligent railway transportation business: Practicability and Stability

The Group continued to focus on intelligent railway transportation, providing a variety of products and solutions such as PIS, AFC, Automatic Fare Collection Clearing Centre (“ACC”), and Traffic Control Centre (“TCC”). In the first half of 2022, the construction of rail transit in Mainland China has been delayed to varying degrees due to the impact of the COVID-19 pandemic. In light of numerous difficulties, the Group actively took various measures to mitigate the adverse impact of the COVID-19 pandemic, and made use of the majority of its resources to ensure the implementation of important projects as scheduled, so as to facilitate the healthy development of the Company.

In the first half of the year, the Group’s intelligent railway transportation business recorded revenue of approximately HK\$503.2 million, representing a year-on-year increase of approximately 21.5%, which was mainly due to the relatively high income brought by the delivery and acceptance of the Shaoxing Metro Line 1 project. Such project has a low gross profit margin, resulting in further reduction in the gross profit margin of the business. Although logistics costs and cargo inspection and pandemic prevention costs have increased compared with the same period last year under the pandemic, the Company has effectively controlled the overall costs by taking measures to reduce costs and increase efficiency.

According to market statistics, in the first half of the year, the Group’s on-board PIS business served approximately 1,476 new urban rail vehicles, representing an approximate market share of 31.9%, maintaining its leading position in the industry. In the field of AFC, benefiting from in-depth exploration of markets, the Group has successfully obtained a number of projects such as Beijing Subway Line 13, Beijing Suburban Railway Urban Sub-centre Line and so on, which increased its market share.

■ *Beijing business continued to consolidate*

In light of the impact of the COVID-19 pandemic, the Group has formulated a stringent and effective market expansion plan and project implementation guarantee measures for the Beijing market. In the first half of the year, the Group had a total of 26 new contracts and bid-winning projects in Beijing, accounting for approximately 31.0% of the total number of new contracts during the period, and the total contracted amount was approximately RMB200 million, accounting for approximately 35.2% of the total contracted amount during the period. The key projects were as follows:

- The Group signed a National Demonstration Project relating to the “new generation smart train operation system and platform for smart urban rail”, with an amount of approximately RMB18.48 million;

- The Group won the bid for the AFC project of Beijing Subway Line 13 with an amount of approximately RMB124.26 million. The project adopted a new architecture deployment. The station computer system interacted with the centre through the central cloud platform to realise centralisation, platformisation and standardisation of the station’s core business, relying on cloud computing and big data technology to build an integrated rail transit AFC system to further consolidate the Group’s position in the AFC market; and
- The Group won the bid for the Beijing rail transit road network operation and maintenance and technical service project, as well as the Beijing suburban railway urban sub-centre, Huairou-Miyun Line, Line S2 AFC system and supporting management platform project, and many other operation and maintenance projects. The Group continued to assist in the operation and service guarantee of Beijing Subway line facilities, further strengthening the long-term cash flow income in the future.

■ *In-depth mining of nationwide business*

For the diversified product demands of markets outside Beijing, the Group leveraged on the mature model of “Beijing products + Beijing services”, which effectively combined the actual local conditions of the project, adapted measures to local conditions, and deeply explored new business in existing market to gradually realise the in-depth development of the markets outside Beijing. In the first half of the year, the Group successively received orders in, among other cities, Suzhou, Nantong, Wuxi, Chuzhou, and continued coverage of the national market business, among which, the key projects were as follows:

- The Group signed a contract for the on-board PIS project on Suzhou Metro Line 6, with an amount of approximately RMB37.6 million. This system was the first to use LCD-type through-channel display screens to enhance passenger information service capabilities;
- The Group signed a contract for the on-board PIS project of Nantong Metro Line 2 Phase I, with an amount of approximately RMB16.93 million, to continue to provide convenient services for the travel of Nantong citizens;
- The Group signed the Fuzhou Metro Line 4 network security equipment and industrial security management platform project, with an accumulated amount of approximately RMB14.16 million. The Company’s network security equipment integration business has taken a step forward towards the national market;
- The Group won the bid for the on-board PIS project of Shenyang Metro Line 2, with an amount of approximately RMB39.84 million, further consolidating the business market in Shenyang;

- The Group won the bid for the CRRC Qingdao Sifang Smart EMU project with an amount of approximately RMB21.87 million, which helped the Fuxinghao Smart EMU train passenger information system to innovate products relating to smart display, smart monitoring and smart operation and maintenance; and
- The Group won the bid for Wuxi Metro Line S1 and Chuning Intercity on-board PIS system with a total amount of approximately RMB23.48 million. It entered the Wuxi and Chuzhou markets for the first time, further expanding the Group’s business coverage in Mainland China.

■ *Breakthrough in overseas business*

Affected by the continuous global impact of the COVID-19 pandemic, coupled with the increasingly complex international political situation, the Group’s overseas business expansion was under pressure. In the first half of the year, the Group overcame difficulties such as the inconvenience of operating its business activities due to the COVID-19 pandemic, and actively conducted cross-border linkages to ensure the smooth opening of Line 3 of the Pune Metro in India and Lines 2 and 7 of the Mumbai Metro, further strengthening its market position in India. At the same time, the Group leveraged its competitive advantages in technology and project management, and under the premise of controllable risks and mature models, increased efforts to expand overseas markets, achieved new signing and winning bids for many projects such as the Kuala Lumpur PIS project in Malaysia, the Mecca Light Rail vehicle broadcasting system transformation project in Saudi Arabia, and the Lagos Light Rail PIS project in Nigeria, while expanding its existing markets, further expanding the business coverage area of the Group to ensure continuous business breakthroughs in overseas markets.

Infrastructure information business: Steady and Enterprising

The Group’s infrastructure information business mainly consists of transmission services for subway civil communications, underground utility tunnel intelligent management system, and “Intelligent+” infrastructure information service. In the first half of the year, the Group’s infrastructure information business recorded revenue of approximately HK\$70.7 million during the period, representing a year-on-year decrease of approximately 32.1%, which was mainly due to the existence of 4G information transmission service ports in the first half of 2021 to sort out and recognise revenue. The revenue of this business segment returned to the normal this year. There were 26 newly signed projects and bid-winning projects to be signed, with an amount of approximately RMB55.29 million. The development of the Group’s main business was stable, and progressive and continuous breakthrough in innovative development continued.

■ *The civil communications business grows steadily*

In the first half of the year, the Group signed a strategic cooperation agreement with China Mobile, China Unicom and China Telecom to stabilise the revenue derived from the existing business of civil communication. The Group signed a strategic cooperation agreement with the three major operators to conduct operational negotiations on the 5G business. The Group has negotiated with operators on the 5G model to maintain the agreed amount of the existing station resource usage fee and bandwidth usage fee for 5 years, which will provide stability in relation to the income of the Group's civil communication business, and further enhance the Group's unique advantages in this field. In addition, the Group implemented the IoT traffic operation value-added service and signed a new IoT connection management agreement, which has opened up a good situation for the future civil communication business to realise additional income.

In the first half of the year, the Group continued to undertake the primary responsibility for developing Beijing Rail Transit's civil communications, and started the investment and construction of civil communications supporting facilities and 4G transmission systems for eight stations in the south extension of Beijing Subway Changping Line and Erligou Station of Line 6. This has further improved the company-based subway transmission network layout to comply with China's current "new infrastructure" strategic layout, and further expand the scale of new network infrastructure assets for urban rail transit.

■ *Accelerated growth of "Intelligent+" business*

In the first half of the year, the Group continued to comprehensively promoted the intelligent construction in comprehensive utility tunnels, construction sites, communities, industrial parks, micro-centres, and other scenarios, improved technical standards, promoted key projects, and provided owners with customised intelligent solutions. The Group focused on the construction of smart hubs and smart micro-centres, and was deeply involved in the Beijing associated centre hub project and the Dongba smart community project. Combining with the needs of the owner, we continuously optimised and upgraded the service plan, as the main technical force, the Group played an important role in the overall project business planning, intelligent top-level design and external resource coordination and docking. Meanwhile, in the first half of the year, the Group signed new projects such as the positioning system for all employees of the Beijing associated center hub project, the smart construction site management and control platform system for Beijing Subway Line 22 (Pinggu Line), the integrated operation and maintenance of BII Industrial Park, and the integrated transportation management system for the Capital Airport. In addition, in the first half of the year, the integrated utility tunnel project jointly submitted by the Group and the owner won the second prize of the Beijing Municipal Science and Technology Progress Award, demonstrating how the Group attained its hard-earned position over the years in the field of smart utility tunnel for many years.

In the first half of the year, the Group won bids and signed contracts for 19 new projects in the “Intelligent+” business, which mainly included positioning system for all employees of the Beijing sub-centre hub project, the Beijing Dongba relocation housing smart construction site project, and the Beijing Subway Line 22 safety risk monitoring system project, with a total amount of approximately RMB20.87 million.

R&D + Innovation: Support and Transformation

The Group is committed to creating an integrated and innovative overall solution for intelligent railway transportation products + services, and creating a high-tech strategic highland for the industry. With cloud computing + big data technology as the core, smart perception technology as the foundation, and rail transit smart scenarios as the traction, product development is conducted around smart passenger services, smart production operation and maintenance, smart operation management and control, and smart technology equipment. The Group has formed its scientific research advantages and core competitiveness through technological innovation, which is benchmarked against the digital empowerment benchmarking enterprises in the capital.

In the first half of the year, the Group adhered to the established strategy of “R&D + Innovation”, focused on independent R&D of core technologies and the transformation of innovation achievements, and continuously consolidated its technological competitiveness: in terms of subject research, the Group actively promoted the R&D of 22 scientific research projects, among which the Group focused on participating in and promoting the construction of demonstration projects, focusing on the R&D content of the “one platform” in the demonstration project, the Group innovatively developed the rail transit infrastructure platform and the Industrial Internet-based vehicle platform, providing strong support for the effective promotion of cloud technology in the industry. In the formulation of standards, the Group participated in the compilation and release of industry white papers during the evolution of 5G-6G communication technology, and released the “6G Intelligent Railway Transportation White Paper” to facilitate industry-university-research cooperation. In terms of technical application, the on-board edge cloud technology developed by the Group has been applied for the first time in the industry on the Beijing Winter Olympics branch line. With the integration of PIS and other related SILO (without functional safety requirements) platform business, the technology enabled interprofession joint analysis of PIS, CCTV and other information, and played a leading role in the industry. uDAP (Unified Data Access Platform) 3.0 has been implemented in demonstration projects and Beijing Road Network Big Data Center data governance projects. Through low-code configuration, implementation efficiency is improved while implementation costs are reduced; the new generation of TPU products are used in Xi’an Airbus Project, Zhengzhou Metro Line 17 and other projects. The ID card reading function is newly added, which further improves the operational efficiency of the equipment system. In addition, in the direction of deepening 5G applications, the Group released the “three-in-one” IoT card solution, enabling one SIM card to receive wireless signals from three operators, and according to the wireless signal strength, package tariff and other strategies, the function of automatically selecting the optimal network can provide customers with high-availability and low-cost wireless network services in various business scenarios such as intelligent railway transportation and smart cities.

At the same time, the Group was successfully nominated on the list of “Science and Technology Reform Demonstration Enterprise” by the State-owned Assets Supervision and Administration Commission of the State Council. The selection marked the recognition of the Group’s core strength in technological innovation. In the future, the Group will also receive more favourable policy support to promote the continuous improvement of its core competitiveness in R&D and innovation.

Investments in joint ventures and associates: Focus and Collaboration

The Group continued to promote the rapid development of its main businesses and accelerate the expansion of new businesses by continuing the development trend of informatisation and intelligentisation and the investment idea of strengthening its existing businesses, expanding new intelligent businesses, and investing in new high-tech segments. The Group continued to seek and maintain potential investment projects according to business synergy, company size and other screening criteria, expand backup resources, and conduct regular review and follow-up of key projects. The Group will optimise the strategic investment and industrial investment to enhance its industrial competitive edge and focus on the integrated management of the Group in all aspects to further strengthen its post-investment management and control. Differentiated management will be implemented and empowered services will be provided to promote business synergy and capital appreciation.

The Group also implemented differentiated management of its holding companies, optimised and integrated resources, and maximised synergistic effect:

- Affected by the COVID-19 pandemic and the relocation of some airlines to Daxing Airport (大興機場), the Beijing Capital Airport Line operated by Beijing Metro, a joint venture of the Group, experienced a decline in passenger traffic. However, in April 2022, the main line of Shaoxing Metro Line 1 was opened and connected with the Keqiao section, which was the first time that Beijing Metro has undertaken the operation and management tasks of lines outside Beijing, expanding its business map of operation services. In January 2022, Beijing Metro won the bid for the selection of internal operation service providers for Beijing Subway Line 28. In the future, Beijing Metro will further expand the operation of new lines inside and outside Beijing, improve passenger services, and continue to reduce costs and increase efficiency.
- 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, continued to consolidate its main business of AFC equipment maintenance and electromechanical equipment maintenance, actively promoted the application of the smart maintenance platform in the field of AFC operation and maintenance, and undertook projects such as AFC operation and maintenance services for 15 lines of the Beijing Subway;
- The Yitongxing APP developed by Beijing Ruubypay Science and Technology Co.,Ltd* (北京如易行科技有限公司) (“**Ruubypay**”), the Group’s joint venture, has accumulated approximately 31 million registered users, an increase of approximately 2 million over the same period last year. and Internet ticketing accounted for approximately 52.1% of the average daily traffic through the entire road network. In the first half of 2022, Yitongxing cooperated to complete the Beijing Subway ticketing upgrade, and launched the Beijing Subway ticketing upgrade service applet to realise the real-name system for various types of tickets and cards, extend the scope of business services, and facilitate the sustainable and healthy development of enterprises; and

- The 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**”) that the Group invested in has entered the exit period, and the related exit work was progressing smoothly. At the same time, the Group has continued to participate in the investment of Beijing Cornerstone Huiying Venture Capital Investment Centre (Limited Liability Partnership)* (北京基石慧盈創業投資中心(有限合夥)) (“**Cornerstone Huiying**”), continued to focus on the core industries related to rail transit, focused on the fields of information technology, new materials and advanced manufacturing, and identified companies with development potential.

FINANCIAL REVIEW

Overview

For the six months ended 30 June 2022, the Group recorded revenue of approximately HK\$573.9 million, an increase of approximately 10.7% over the same period last year, and gross profit of approximately HK\$186.9 million, a decrease of approximately 19.0% over the same period of the previous year; selling, general and administrative expenses amounted to approximately HK\$118.3 million, representing an increase of approximately 6.8% as compared with the same period last year; net cash outflow from operating activities was approximately HK\$221.0 million, representing an increase of approximately HK\$219.9 million over the same period of last year. As at 30 June 2022, the Group’s gearing ratio was approximately 38.2%.

Revenue

The Group’s revenue was mainly derived from the intelligent railway transportation business and the infrastructure information business, the revenue of which for the first half of 2022 was approximately HK\$503.2 million and approximately HK\$70.7 million, respectively.

The revenue derived from the intelligent railway transportation business during the first half of 2022 was approximately HK\$503.2 million, representing an increase of approximately HK\$89.1 million or approximately 21.5% over the same period last year. The increase was mainly due to the delivery and acceptance of the Shaoxing Metro Line 1 project of the Group in the first half of 2022, resulting in a relatively significant increase in revenue.

The revenue derived from the infrastructure information business during the first half of 2022 was approximately HK\$70.7 million, representing a decrease of approximately HK\$33.5 million or approximately 32.1% over the same period last year. The decrease was mainly due to the existence of 4G information transmission service ports in the first half of 2021 to sort out and recognise revenue. The revenue of this business segment returned to the normal this year.

Geographically, in the first half of the year, the Group's revenue was mainly derived from its businesses in Mainland China, which was approximately HK\$542.4 million, an increase of approximately HK\$51.3 million or approximately 10.5% over the same period last year, which was mainly due to the delivery and acceptance of the Shaoxing Metro Line 1 project during the first half of 2022. The Group's revenue from the Hong Kong market for the first half of 2022 was approximately HK\$16.9 million, a decrease compared to the same period of the previous year, which was mainly due to the delayed delivery of projects in Hong Kong due to the impact of the COVID-19 pandemic. At the same time, the Group achieved revenue of approximately HK\$14.6 million in the Indian market, which was mainly derived from projects such as Mumbai Line 2, Pune Metro Line 3 and the RS1 model renovation of Delhi Metro.

Cost of sales and gross profit

The cost of sales incurred by the Group during the first half of 2022 was approximately HK\$387.0 million, representing an increase of approximately HK\$99.3 million or approximately 34.5% over the same period last year. The realised gross profit was approximately HK\$186.9 million, representing a decrease of approximately HK\$43.7 million, or approximately 19.0%, as compared with the same period last year, which was mainly due to the delivery and acceptance of Shaoxing Metro Line 1 project in the first half of 2022, a project with low gross profit margin, resulting in a lower gross profit margin for the intelligent railway transportation business.

Selling, general and administrative expenses

Selling, general and administrative expenses incurred by the Group during the first half of 2022 amounted to approximately HK\$118.3 million, representing an increase of approximately HK\$7.5 million or approximately 6.8% over the same period of the previous year, which was mainly due to the increase in expenses caused by relocation of the Group's office during the first half of 2022 involving relocation costs and the increase in transitional rental costs.

R&D expenses

R&D expenses incurred by the Group during the first half of 2022 amounted to approximately HK\$77.0 million, representing a decrease of approximately HK\$1.5 million or approximately 1.9%. As compared with the same period last year, R&D expenses remained stable.

Share of results of joint ventures and associates

In the first half of 2022, the Group realised share of results of joint ventures and associates of approximately HK\$21.1 million, representing a decrease of approximately 49.5% as compared with the same period last year. The decrease in the share of results of joint ventures and associates in the first half of 2022 was mainly due to the decrease in investment income in Beijing Metro and Cornerstone Chuangying.

Profit attributable to equity shareholders of the Group

Profit attributable to equity shareholders of the Group during the first half of 2022 amounted to approximately HK\$32.6 million, representing a decrease of approximately HK\$47.4 million or approximately 59.3% as compared with the same period last year.

Liquidity, financial and capital resources

Capital structure

As at 30 June 2022, the total number of issued shares of the Group was 2,097,146,727 shares of HK\$0.01 per ordinary share (as at 31 December 2021: 2,097,146,727 ordinary shares of HK\$0.01 per ordinary share).

Cash position

As at 30 June 2022, the Group's cash on hand and in bank was approximately HK\$717.9 million (as at 31 December 2021: approximately HK\$893.4 million).

Borrowings and pledged assets of the Group

As at 30 June 2022, the Group's borrowings were approximately HK\$342.1 million, of which HK\$300 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, Beijing Infrastructure Investment Co., Ltd. ("BII"), and the remaining was bank borrowings amounted to approximately HK\$42.1 million. (As at 31 December 2021: approximately HK\$348.8 million). The Group did not have any assets pledged as at 30 June 2022 (as at 31 December 2021: Nil).

Working capital and gearing ratio

As at 30 June 2022, the Group had current assets of approximately HK\$2,704.8 million (as at 31 December 2021: approximately HK\$2,833.7 million), while its current liabilities were approximately HK\$1,241.1 million (as at 31 December 2021: approximately HK\$1,245.9 million), resulting in net current assets of approximately HK\$1,463.6 million (as at 31 December 2021: approximately HK\$1,587.8 million). As at 30 June 2022, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.2 (as at 31 December 2021: approximately 2.3).

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 2022, the Group's gearing ratio was approximately 38.2% (as at 31 December 2021: approximately 37.2%).

Cash flow

During the period, the Group's net cash outflow from operating activities was approximately HK\$221.0 million, representing an increase of approximately HK\$219.9 million over the same period of last year. Due to the impact of the COVID-19 pandemic, some projects were delayed in delivery resulting in sluggish repayment.

Contingent liabilities

As at 30 June 2022, the Group had no material contingent liabilities (as at 31 December 2021: nil).

Interim dividend

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: nil). The Group will retain cash to fund its continued business development and future investment opportunities.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group had 723 employees (as at 30 June 2021: 884).

In the first half of 2022, total staff costs (including directors' remuneration) were approximately HK\$130.0 million (six months ended 30 June 2021: HK\$134.7 million).

The Group reviews the remuneration packages with reference to the market salary level and the performance of the employees, and adjusts the remuneration according to the employee's rank. In addition to basic remuneration, the Group also pays bonus based on its performance and staff's contribution to the Group. Other benefits include share options, contribution to social insurance scheme in China, housing provident fund, supplementary medical insurance in Mainland China, contribution to the MPF Scheme and insurances in Hong Kong. The Group also organised professional and vocational trainings for its employees.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS

Beijing Metro was established on 15 February 2016, and its equity interest was held by the Group and Beijing Subway Operation as to 49% and 51%, respectively. Its registered capital was RMB500 million, of which RMB245.0 million was contributed by the Group and RMB255.0 million was contributed by Beijing Subway Operation which was an independent third party. Beijing Metro is principally engaged in investing, constructing, operating, managing subway lines, operating value-added services and related property development, including managing the Operating Income Rights of Beijing Subway Airport Express, Dongzhimen Terminal, and new lines of the Beijing Subway.

Beijing Metro is a private company whose quoted market price is not available. As at 30 June 2022, the carrying amounts of Beijing Metro in the Group's consolidated financial statements by using equity method is approximately HK\$255.7 million, accounting for approximately 6.0% of the Group's total assets as at 30 June 2022. In the first half of 2022, the Group's share of the profit of Beijing Metro was approximately HK\$19.4 million. The Company did not receive any realised and unrealised gain or loss or any dividends from Beijing Metro. In the future, the Group will implement investment strategies based on the actual funding and operation needs of Beijing Metro.

Save as disclosed above, there were no other significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies, and other plans for material investments or capital assets for the six months ended 30 June 2022.

ADDITIONAL MATTER

Reference is made to the announcement of the Company (“**Announcement**”) dated 20 May 2022 regarding the special audit results of Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技有限公司) (“**Huaqi Intelligent**”) for the three years ended 31 December 2021. According to the Announcement, the Compensated Difference (as defined in the Announcement) was owed to the Company by Mr. Liu Guang* (劉光). As at the date of this announcement, the Group has commenced legal proceedings against the relevant parties as the Compensated Difference was not settled within the required timeframe. Please refer to the Announcement for further details.

BUSINESS PROSPECTS

Since June 2022, the spread of the COVID-19 pandemic in Mainland China has been effectively controlled, the macro economy has stabilised and recovered, and the investment, construction and operation in the rail transit industry has also recovered. In June, the mileage of new railway lines in Mainland China was approximately 1,462.2 kilometres, accounting for more than 70% of the new lines put into operation in the first half of the year; the newly added urban rail transit mileage was approximately 150 kilometres, accounting for more than 40% of the newly added mileage in the first half of the year; the passenger volume was approximately 1.78 billion, a month-on-month increase of approximately 33.8%. In the second half of the year, with the implementation and effectiveness of various policies and measures to stabilise economic growth, the positive trend of economic recovery is expected to continue, and the recovery of production and supply is expected to continue. At the same time, in order to support and stabilise the economic market, the government will increase fiscal expenditure, continue to strengthen the investment stabilisation policy, and accelerate the construction of major projects. In this context, considering the advantages of large scale of rail transit employment, long industrial chain, and obvious role in stimulating economic growth, it is expected that the investment in railway fixed assets will accelerate in the second half of the year, and a number of new urban rail transit projects will also be launched. In addition, the approved urban rail transit lines in key cities including Beijing, Hefei, and Zhengzhou have entered the preliminary work stage, and bidding will be launched one after another. All these have provided a stable external market environment for the Group’s business development. In the first half of this year, the government issued the “14th Five-Year Plan for the Development of Modern Integrated Transportation System”, proposing to speed up the construction of rail transit and promote the integration of multiple networks. Beijing accelerated the approval of the third phase of rail transit construction planning, opening up a broad space for the subsequent rail transit market. Also, by focusing on accelerating the development of the digital economy, the government has issued the “14th Five-Year Plan for the Development of the Digital Economy” to optimise and upgrade the digital infrastructure and continue to promote the development of smart cities.

In the next step, the Group will continue to adhere to the three strategic themes of “one body, one platform and one centre”, strengthen and optimise the main business with intelligent railway transportation and infrastructure information as the core, grasp the development trend of the industry, do a good job in the industry dynamic research and judgement, deepen the market strategy of “relying on Beijing, stepping up presence nationwide, and exploring international markets”, and make every effort to promote the implementation of tracking projects. Among them, in terms of intelligent railway transportation business, in the second half of the year, the Group will continue to explore the potential of AFC, PIS, ACC, TCC and other market segments, strive to provide more system operation and maintenance services, pay close attention to the bidding progress of Beijing Subway Line 13, Line 28 and other projects within Beijing market. We will focus on tracking key projects in Taiyuan, Hefei, Urumqi, and other places outside of Beijing, and strive to expand new regional markets. In overseas markets, we will actively strive for orders from regional markets such as India to consolidate overseas market territory. In terms of infrastructure information business, the Group will continue to follow up on key projects such as the urban sub-centre hub smart platform and Dongba smart community, so as to lay a solid foundation for the long-term development of the “Intelligent+” business. At the same time, the Group will carefully study and review the changes of possible external influencing factors and respond accordingly, focus on ensuring that the projects under construction are conducted on time and with high quality, systematically and comprehensively serve the needs of the owners, and create high-quality benchmarking projects. In addition, the Group will further play the role of a strategic investment control platform, strengthen post-investment management and control, promote collaboration between business companies, and improve the operating efficiency of the invested companies. In terms of R&D and innovation, the Group will continue to promote the two core technologies of “cloud ecological technology and cloud, edge and terminal collaborative technology in the digital rail industry”, and realise the simultaneous landing application with the demonstration project to strengthen the competitive advantage in the field of intelligent railway transportation. The Group has innovatively built a multi-level communication perception network and implemented it in closed spaces such as integrated utility tunnel, and will further expand the application scenarios of “5G + Internet of Things” smart facilities in the industry, and promote various infrastructures with smart means to reduce costs and increase efficiency.

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 2022. 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 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The Company established an audit committee (“**Audit Committee**”) with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. The written terms of reference of the Audit Committee were adopted in compliance with code provisions D.3.3 and D.3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules.

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

As at 30 June 2022, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Huang Lixin and Mr. Li Wei.

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 2022 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 2022.

EVENTS AFTER THE REPORTING PERIOD

The Group has no material subsequent event to be disclosed from 30 June 2022 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) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2022 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, 30 August 2022

As at the date of this announcement, the executive Director is Ms. Xuan Jing; the non-executive Directors are Mr. Zhang Yanyou, Mr. Guan Jifa, Mr. Zheng Yi, Mr. Cao Mingda and Ms. Hou Weiwei; and the independent non-executive Directors are Mr. Luo Zhenbang, Mr. Huang Lixin and Mr. Li Wei.

* *For identification purposes only*