



京投轨道交通科技控股有限公司

BII Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1522



NAVIGATING
2025

Sustainable Development

INTERIM
REPORT **2022**

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Ms. Xuan Jing (*Chief Executive Officer*)

Non-Executive Directors

Mr. Zhang Yanyou (*Chairman*)

Mr. Cao Wei (*Vice Chairman*) (*Resigned on 11 April 2022*)

Mr. Guan Jifa

Mr. Zheng Yi

Ms. Gu Xiaohui (*Resigned on 29 March 2022*)

Mr. Cao Mingda (*Appointed on 11 April 2022*)

Ms. Hou Weiwei (*Appointed on 29 June 2022*)

Independent Non-Executive Directors

Mr. Bai Jinrong (*Resigned on 11 April 2022*)

Mr. Luo Zhenbang (*CPA*)

Mr. Huang Lixin

Mr. Li Wei (*Appointed on 11 April 2022*)

AUTHORISED REPRESENTATIVES PURSUANT TO RULE 3.05 OF THE LISTING RULES

Ms. Xuan Jing

Ms. Cheung Yuet Fan

COMPANY SECRETARY

Ms. Cheung Yuet Fan

AUDIT COMMITTEE

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

Mr. Bai Jinrong (*Resigned on 11 April 2022*)

Mr. Huang Lixin

Mr. Li Wei (*Appointed on 11 April 2022*)

NOMINATION COMMITTEE

Mr. Zhang Yanyou (*Chairman*)

Mr. Bai Jinrong (*Resigned on 11 April 2022*)

Mr. Huang Lixin

Mr. Li Wei (*Appointed on 11 April 2022*)

REMUNERATION COMMITTEE

Mr. Bai Jinrong (*Chairman*) (*Resigned on 11 April 2022*)

Mr. Li Wei (*Chairman*) (*Appointed on 11 April 2022*)

Mr. Guan Jifa

Mr. Huang Lixin

ESG COMMITTEE

Mr. Zhang Yanyou (*Chairman*)

Ms. Xuan Jing

Mr. Luo Zhenbang (*CPA*)

AUDITORS

KPMG

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

LEGAL ADVISERS TO THE COMPANY

Chiu & Partners

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

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Cayman Islands

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Sheung Wan, Hong Kong

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Grand Cayman, KY1-1100,

Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

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Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

Company Overview

COMPANY INTRODUCTION

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

The Company was listed on the Growth Enterprise Market (GEM) of the Stock Exchange on 16 May 2012 and transferred to Main Board of the Stock Exchange on 6 December 2013, with the stock code of 1522.

The Group, which concentrates on railway transportation industry for more than a decade, focuses on two core businesses, namely:

<p>intelligent railway transportation</p>	<p>Its intelligent railway transportation business provides hardware and software products and services to clients in high-speed rail, intercity, urban and suburban railway, subway and other fields in both domestic and overseas markets. It is an industry leader in China in terms of PIS and AFC businesses.</p>
<p>infrastructure information</p>	<p>As for its infrastructure information business mainly based in Beijing, the Group is a leading provider of civil communications transmission systems for subways and integrated utility tunnel informatisation systems.</p>



Company Overview

SUMMARY WITH FIGURES

The Group concentrated on railway transportation for

17 YEARS

Its businesses covered

51 CITIES
in China and

23 CITIES
overseas in fourteen countries and regions

It owns

113
PATENTS

and obtains

452
SOFTWARE COPYRIGHTS

As of 30 June 2022, the orders on hand of the Group was approximately

HK\$ 2.03 BILLION

The Group has been focusing on railway transportation for 17 years. It adheres to technology-driven strategy, continues to enhance its drive for innovation, strengthens the construction of service guarantees, and promotes the modernisation of corporate governance and governance capabilities. The Group continuously strives in multiple aspects such as brand building, product development, technological innovation, quality improvement, system construction and ecological integration. It adheres to the market strategy of “relying on Beijing and Hong Kong, expanding across the country, and making presence in international markets” and has achieved remarkable results in market expansion. As of 30 June 2022, the Group’s businesses covered 51 cities in 27 provinces, municipalities, autonomous regions and special administrative regions in China, where it provided products and services, including intelligent railway transportation and infrastructure information. As for overseas market, it has expanded into 23 cities overseas in 14 countries and regions. Besides, as of 30 June 2022, the Group owned 113 patents and 452 software copyrights, and the orders on hand of the Group amounted to approximately HK\$2.03 billion. In the future, the Group will comprehensively capture business opportunities, achieve quality improvement and innovation, and make steady progress for the stable operation of the railway transportation system. The Group will also strive for the stable operation of the railway transportation system, the convenient travel for passengers, and strive to assist in the creation of a green and smart city.

Revenue in H1 of 2022 was approximately

HK\$573.9 MILLION
a year-on-year increase of approximately

10.7%

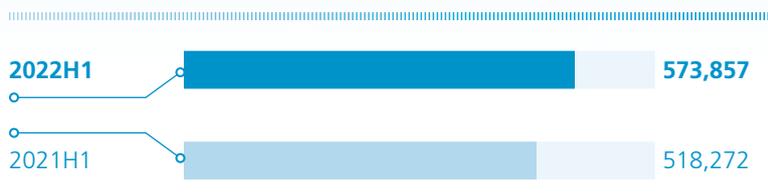
Profit attributable to equity shareholders in H1 of 2022 was approximately

HK\$32.6 MILLION
a year-on-year decrease of approximately

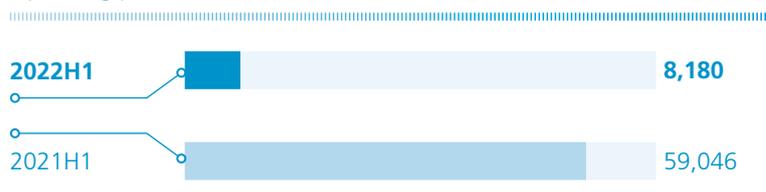
59.3%

Financial Highlights

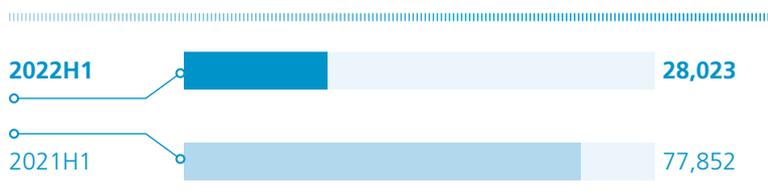
Revenue (HK\$ Thousand)



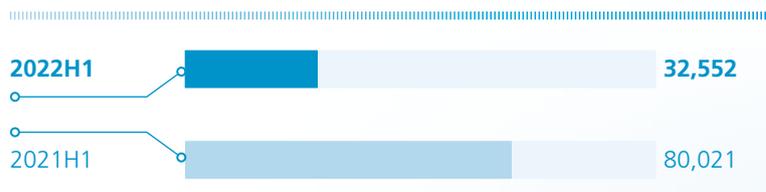
Operating profit (HK\$ Thousand)



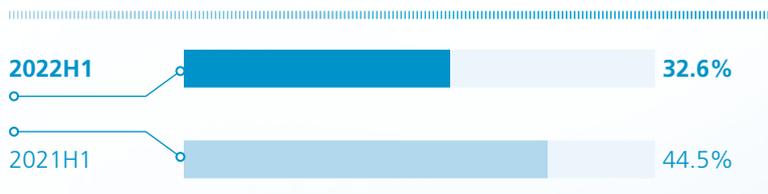
Profit for the Period (HK\$ Thousand)



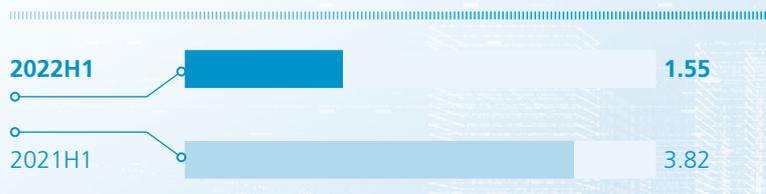
Profit attributable to equity shareholders (HK\$ Thousand)



Gross margin



Earnings per share (HK\$ cent)



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 and 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.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of the year, the Group continued to focus on its competitive products and solutions such as PIS, 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, ACC, 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;

Management Discussion and Analysis

- 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 recognize 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.

Management Discussion and Analysis

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 on-board edge cloud 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.
- 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 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 its internet ticketing accounted for approximately 52.1% of the average daily traffic through the entire road network. In the first half of 2022, it 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
- 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 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.

Management Discussion and Analysis

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.

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.

Management Discussion and Analysis

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, 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.

Management Discussion and Analysis

ADDITIONAL MATTER

Reference is made to the announcement of the Company dated 20 May 2022 (the “**Announcement**”) regarding the special audit results of 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 Group by Mr. Liu Guang* (劉光). As at the date of this interim report, 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.

RISK FACTOR ANALYSIS

The Group’s financial condition, operating results and prospects may be affected by individual risks, including risk from macro-environmental changes, risk from changes in market conditions, risk from untimely collection of trade receivables, risk from technical research or untimely transformation and foreign exchange exposure.

Risk from macro-environmental changes

The core business of the Group is closely related to the macroeconomy and industrial investment policies. Currently, the epidemic situation in China remains unclear, and global geopolitical risks are intensifying, which may cause macroeconomic fluctuations and have certain impact on the development environment of the Group. In response to the above risks, the Company will deepen its research on governmental and industrial policies. Specifically, it will keep a close eye on policy changes to adjust its response strategies in a timely manner, and enhance its ability to resist risks, so as to reduce the adverse impact of uncertain macro environment risks on the Group’s operations.

Risk from changes in market conditions

With the gradual improvement of rail transit construction, the traditional business market has gradually become saturated, and the industry competition is increasingly intensifying, which may lead to a decrease in revenue. In addition, various factors, such as the increase in raw material prices and the increase in personnel costs, may further lead to a decline in gross profit margins and thereby triggering fluctuations in financial results. In response to the above risks, the Group will, based on its situation, increase market development efforts and gradually optimise its business plan. In the meantime, measures will be taken to enhance the competitiveness of products and businesses to create profit growth points. Besides, it will improve the level of business procurement, enrich reserves of suppliers, and reduce the impact of rising supply chain costs.

Risk from untimely collection of trade receivables

Some products and services provided by the Group have a relatively long performance period, which may cause a delay in delivery of projects. At the same time, due to factors, such as settlement method and financial status of the counterparty, the Group may not be able to collect trade receivables in a timely manner, which may result in a decrease in the utilisation rate of funds and an increase in the probability of bad debt losses in trade receivables. In response to the above-mentioned risks, the Group will step up efforts on the collection of receivables and improve the level of collection. Meanwhile, efforts will be made to strengthen the screening of new business projects and make overall arrangements for project implementation plans and resource guarantee measures, in a bid to avoid projects that may face risks in payment. Moreover, the Group will improve the efficiency of internal management, continuously increase revenue and reduce expenditure, strictly control expenses and costs, and maintain sufficient cash flow.

Risk from technical research or untimely transformation

In recent years, the rapid technological upgrading of the industry in which the Group operates has put forward higher requirements for the forward-looking technology research and development of the Group and the timeliness of the transformation of cutting-edge technologies. If the Group fails to capture the development trend of key industry technologies in a timely manner, or fails to accurately grasp the research and development direction of strategic products, or if the research and development progress is slow, and the transformation of achievements is not timely, it will adversely affect the long-term development of the Group. In response to the above risks, the Group will continuously strengthen the tracking, research and analysis of cutting-edge ideas and technologies in the industry, and coordinate and allocate R&D resources, such as personnel and funds. Relying on a national demonstration project of the new-generation intelligent train operation system and platform about intelligent urban rail, a rail transit infrastructure platform and a vehicular edge cloud platform has been built and accepted, marking an opportunity to vigorously promote the R&D and transformation of emerging technologies and strategic products, and improve its core technology level.

Foreign exchange exposure

The Group has six major subsidiaries, with one established in Hong Kong and the remaining five registered in Mainland China. As all of these subsidiaries earn revenue and incur cost in their local currencies, exchange rate risks from transactions have minimal effect on the Group.

As at 30 June 2022, the Group's funds were mainly denominated in Renminbi, Hong Kong dollar, US dollar and Euro. (1) Since the Hong Kong dollar is still pegged to the US dollar within the established range, the Group is not exposed to significant foreign exchange risks from the exchange of Hong Kong dollar to US dollar; (2) the Group signed forex forward settlement agreements with banks to lock exchange rate from exchange to Euro. It will pay close attention to forex risks.

Other Information

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

As at 30 June 2022, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the "SFO")) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the requirements of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares and underlying shares

Name of Director	The Company/ Name of associated corporation	Capacity	Number of shares	Approximate percentage of issued share capital of the Company/ associated corporation
Ms. Xuan Jing	The Company	Beneficial owner	4,032,000	0.19%

Save as disclosed above, as at 30 June 2022, so far as was known to the Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 30 June 2022, so far as was known to the Directors or the chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Approximate percentage of issued share capital of the Company
More Legend	Beneficial owner (Note 1)	244,657,815	11.66%
Ms. Wang Jiangping (“ Ms. Wang ”)	Interest of spouse (Note 2)	245,457,815	11.70%
Beijing Infrastructure Investment (Hong Kong) Limited* (京投(香港)有限公司) (“ BII HK ”)	Beneficial owner (Note 3)	1,157,634,900	55.20%
BII	Interest of controlled corporation (Note 3)	1,157,634,900	55.20%
China Property and Casualty Reinsurance Company Ltd. (中國財產再保險有限責任公司)	Beneficial owner (Note 4)	140,737,534	6.71%
China Reinsurance (Group) Corporation (中國再保險(集團)股份有限公司)	Interest of controlled corporation (Note 4)	146,493,534	6.99%
Central Huijin Investment Ltd.	Interest of controlled corporation (Note 4)	146,493,534	6.99%

Notes:

1. More Legend is the legal and beneficial owner of 244,657,815 shares of the Company and is wholly-owned by Mr. Cao. Mr. Cao is also the sole director of More Legend.
2. Ms. Wang is the spouse of Mr. Cao and by virtue of the SFO, is deemed to be interested in the 245,457,815 shares of the Company which Mr. Cao is interested in.
3. BII HK is a wholly-owned subsidiary of BII, a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. By virtue of the SFO, BII is deemed to be interested in the 1,157,634,900 shares of the Company owned by BII HK.

Other Information

4. China Property and Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd. which hold 140,737,534 shares and 5,756,000 shares of the Company, respectively, are each a wholly-owned subsidiary of China Reinsurance (Group) Corporation, which is in turn owned as to 71.56% by Central Huijin Investment Ltd. By virtue of the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in the 140,737,534 shares of the Company owned by China Property and Casualty Reinsurance Company Ltd. and 5,756,000 shares of the Company owned by China Life Reinsurance Company Ltd.

Save as disclosed above, as at 30 June 2022, the Directors have not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has devised its own code of conduct for securities transactions regarding Directors' and employees' dealings in the Company's securities (the "**Securities Dealing Code**") on terms no less exacting than the Model Code.

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the six months ended 30 June 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.

SHARE OPTION SCHEME

The Share Option Scheme of the Company was approved for adoption pursuant to a written resolution passed by all of the shareholders of the Company on 8 December 2011 for the purpose to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board may approve from time to time. The Share Option Scheme was revised on 24 September 2013. It would remain in force for a period of 10 years commencing from 16 May 2012 unless terminated by the Company. As at the date of this interim report, the Share Option Scheme has expired.

As of 5 December 2019, the share options granted by the Company had all lapsed. During the six months ended 30 June 2022, no share options were granted by the Company and there were no outstanding share options under the Share Option Scheme.

CHANGES IN DIRECTORS' INFORMATION

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

1. Ms. Xuan Jing, executive Director, was appointed as the chairman of Huaqi Intelligent with effect from 13 June 2022.
2. Mr. Cao Wei, a former executive and non-executive Director, re-designated from an executive Director to a non-executive Director with effect from 21 January 2022. He resigned as the non-executive Director and ceased to be vice chairman of the Board with effect from 11 April 2022.
3. Mr. Guan Jifa, non-executive Director, resigned as a non-executive Director of Beijing Urban Construction Design & Development Group Co., Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1599), with effect from 11 March 2022 and resigned as the chairman of Huaqi Intelligent with effect from 13 June 2022.

4. Ms. Gu Xiaohui, a former non-executive Director, resigned as a non-executive Director with effect from 29 March 2022. She also resigned as a general manager assistant of investment development headquarters of BII with effect from March 2022.
5. Mr. Cao Mingda, non-executive Director, was appointed as a non-executive Director with effect from 11 April 2022.
6. Ms. Hou Weiwei, non-executive Director, was appointed as a non-executive Director with effect from 29 June 2022 and she was appointed as a director of Beijing Rail Transit Technology and Equipment Group Co., Ltd. with effect from June 2022.
7. Mr. Bai Jinrong, a former independent non-executive Director, resigned as an independent non-executive Director with effect from 11 April 2022. On the same day, he ceased to be the chairman of the remuneration committee of the Company and members of the audit committee of the Company and the nomination committee of the Company.
8. Mr. Li Wei, independent non-executive Director, was appointed as an independent non-executive Director with effect from 11 April 2022. On the same day, he was also appointed as the chairman of the remuneration committee of the Company and members of the audit committee of the Company and the nomination committee of the Company.

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 REPORT

The interim financial report 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 report 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 report complies with applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

Definitions

Automatic Fare Collection Clearing Centre (自動售檢票清算中心)	“ACC”
Automated Fare Collection System (自動售檢票系統)	“AFC”
Automatic Fare Collection Network Control Centre (自動售檢票線網管理中心)	“ANCC”
Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)* (保定基石連盈創業投資基金中心(有限合夥))	“Cornerstone Lianying”
Beijing Cornerstone Chuangying Investment Center (Limited Partnership)* (北京基石創盈投資中心(有限合夥))	“Cornerstone Chuangying”
Beijing Cornerstone Huiying Venture Capital Centre (Limited Liability Partnership)* (北京基石慧盈創業投資中心(有限合夥))	“Cornerstone Huiying”
Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司)	“BII”
Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司)	“BII HK”
Beijing Metro Co., Ltd.* (北京京城地鐵有限公司)	“Beijing Metro”
Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司)	“Metro Science and Technology”
BII Railway Transportation Technology Holdings Company Limited (京投軌道交通科技控股有限公司)	“the Company”
BII Railway Transportation Technology Holdings Company Limited and its subsidiaries (京投軌道交通科技控股有限公司及其附屬公司)	“the Group”
Beijing Ruubypay Science and Technology Co., Ltd.* (北京如易行科技有限公司)	“Ruubypay”
Board of Directors	“Board”
More Legend Limited	“More Legend”
Ordinary share(s) of HK\$0.01 each in the share capital of the Company	“Share(s)”

Definitions

Passenger Information System (乘客信息系統)	“PIS”
Shareholder(s) of the Company	“Shareholder(s)”
Suzhou Huaqi Intelligent Technology Co., Ltd.* (蘇州華啟智能科技有限公司)	“Huaqi Intelligent”
the director(s) of the Company	“Director(s)”
The Rules Governing the Listing of Securities on the Stock Exchange	“Listing Rules”
The Stock Exchange of Hong Kong Limited (香港聯合交易所有限公司)	“Stock Exchange”
Traffic Control Centre (線網指揮中心)	“TCC”

* For identification purposes only

Interim Review Report



**Review report to the Board of Directors of
BII Railway Transportation Technology Holdings Company Limited**
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial report set out on pages 27 to 52 which comprises the consolidated statement of financial position of BII Railway Transportation Technology Holdings Company Limited as of 30 June 2022 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six months period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, *Interim financial reporting*, issued by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

30 August 2022

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2022 – unaudited (Expressed in Hong Kong dollars (“HK\$”))

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 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	10	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

The notes on pages 34 to 52 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in Note 16(a).

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	(118,995)	27,203
Total comprehensive income for the period	(90,972)	105,055
Attributable to:		
Equity shareholders of the Company	(83,951)	106,276
Non-controlling interests	(7,021)	(1,221)
Total comprehensive income for the period	(90,972)	105,055

The notes on pages 34 to 52 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2022 – unaudited (Expressed in HK\$)

		At 30 June 2022	At 31 December 2021
	Note	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment	8	201,083	207,971
Intangible assets		217,823	232,366
Goodwill	9	589,001	616,088
Interests in joint ventures and associates	10	427,896	418,723
Other financial assets		66,505	67,576
Contingent considerations		27	27
Deferred tax assets		41,460	40,188
		1,543,795	1,582,939
Current assets			
Inventories and other contract costs		507,623	471,224
Contract assets	11(a)	670,903	631,030
Trade and other receivables	12	808,346	833,202
Loans to an associate		–	4,892
Cash on hand and in bank	13	717,901	893,375
		2,704,773	2,833,723
Current liabilities			
Trade and other payables	14	1,074,068	1,076,210
Contract liabilities	11(b)	73,405	68,799
Bank and other borrowings	15	42,135	48,775
Lease liabilities		18,320	17,747
Current taxation		22,935	24,508
Provision for warranties		10,271	9,895
		1,241,134	1,245,934
Net current assets		1,463,639	1,587,789
Total assets less current liabilities		3,007,434	3,170,728

The notes on pages 34 to 52 form part of this interim financial report.

Consolidated Statement of Financial Position

At 30 June 2022 – unaudited (Expressed in HK\$)

	Note	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Non-current liabilities			
Bank and other borrowings	15	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
		383,421	398,834
NET ASSETS		2,624,013	2,771,894
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		2,519,300	2,660,160
Non-controlling interests		104,713	111,734
TOTAL EQUITY		2,624,013	2,771,894

The notes on pages 34 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – unaudited (Expressed in HK\$)

	Attributable to equity shareholders of the Company							Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2022	20,971	1,718,813	26,424	83,940	94,010	716,002	2,660,160	111,734	2,771,894
Profit for the period	-	-	-	-	-	32,552	32,552	(4,529)	28,023
Other comprehensive income	-	-	-	-	(116,503)	-	(116,503)	(2,492)	(118,995)
Total comprehensive income	-	-	-	-	(116,503)	32,552	(83,951)	(7,021)	(90,972)
Dividends declared in respect of the previous year (Note 16(b))	-	(56,623)	-	-	-	-	(56,623)	-	(56,623)
Change in capital reserve of associates	-	-	(286)	-	-	-	(286)	-	(286)
	-	(56,623)	(286)	-	-	-	(56,909)	-	(56,909)
Balance at 30 June 2022	20,971	1,662,190	26,138	83,940	(22,493)	748,554	2,519,300	104,713	2,624,013

The notes on pages 34 to 52 form part of this interim financial report.

Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022 – unaudited (Expressed in HK\$)

	Attributable to equity shareholders of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000		
Balance at 1 January 2021	20,971	1,771,241	26,424	62,677	21,574	549,730	2,452,617	100,387	2,553,004
Profit for the period	-	-	-	-	-	80,021	80,021	(2,169)	77,852
Other comprehensive income	-	-	-	-	26,255	-	26,255	948	27,203
Total comprehensive income	-	-	-	-	26,255	80,021	106,276	(1,221)	105,055
Dividends declared in respect of the previous year (Note 16(b))	-	(52,428)	-	-	-	-	(52,428)	-	(52,428)
Change in capital reserve of associates	-	-	(131)	-	-	-	(131)	-	(131)
Dividends to non-controlling interests of subsidiaries	-	-	-	-	-	-	-	(2,536)	(2,536)
Appropriation to reserves	-	-	-	4,197	-	(4,197)	-	-	-
	-	(52,428)	(131)	4,197	-	(4,197)	(52,559)	(2,536)	(55,095)
Balance at 30 June 2021	20,971	1,718,813	26,293	66,874	47,829	625,554	2,506,334	96,630	2,602,964

The notes on pages 34 to 52 form part of this interim financial report.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2022 – unaudited (Expressed in HK\$)

	Note	Six months ended 30 June	
		2022 HK\$'000	2021 HK\$'000
Operating activities			
Cash (used in)/generated from operations		(215,066)	12,880
Interest income received		3,328	7,238
Income tax paid		(9,226)	(21,223)
Net cash used in operating activities		(220,964)	(1,105)
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		(35,276)	(10,651)
Proceeds from disposal of property, plant and equipment		4	559
Dividends received		1,768	1,182
Net proceeds from wealth management products		–	181,207
Loans repaid from an associate		4,892	–
Interest received from an associate		76	–
Net cash (used in)/generated from investing activities		(28,536)	172,297
Financing activities			
Proceeds from bank loans		9,355	629
Repayment of bank loans		(14,975)	(20,334)
Capital element of lease rentals paid		(7,965)	(5,529)
Interest element of lease rentals paid		(1,803)	(594)
Interest paid		(3,467)	(13,158)
Dividends to non-controlling interests of a subsidiary		–	(1,138)
Net cash used in financing activities		(18,855)	(40,124)
Net (decrease)/increase in cash and cash equivalents		(268,355)	131,068
Cash and cash equivalents at the beginning of the period	13	848,043	944,489
Effect of foreign exchange rate changes		9,330	6,319
Cash and cash equivalents at the end of the period	13	589,018	1,081,876

The notes on pages 34 to 52 form part of this interim financial report.

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 May 2012. The listing of the Company’s shares were transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The interim financial report of the Company as at and for the six months ended 30 June 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 report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard (“IAS”) 34, *Interim financial reporting*, issued by the International Accounting Standards Board (“IASB”). It was authorised for issue on 30 August 2022.

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

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 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 report 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. KPMG’s independent review report to the board of directors of the Company is included in this report on page 26.

The financial information relating to the financial year ended 31 December 2021 that is included in the interim financial report 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 their report dated 29 March 2022.

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to 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 report. 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
	573,857	518,272
Disaggregated by geographical location of customers		
– Mainland China	542,396	468,965
– Hong Kong	16,945	27,201
– India	14,516	22,106
	573,857	518,272

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

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 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 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 2021 is set out below.

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) SEGMENT RESULTS (CONTINUED)

	Six months ended 30 June 2022			
	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	444,004	110	–	444,114
Over time	59,158	70,585	–	129,743
Revenue from external customers and reportable segment revenue	503,162	70,695	–	573,857
Reportable segment gross profit	152,686	34,174	–	186,860
Share of results of joint ventures and associates	–	–	21,113	21,113

	Six months ended 30 June 2021			
	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	348,590	1,956	–	350,546
Over time	65,492	102,234	–	167,726
Revenue from external customers and reportable segment revenue	414,082	104,190	–	518,272
Reportable segment gross profit	165,568	65,048	–	230,616
Share of results of joint ventures and associates	–	–	41,805	41,805

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) RECONCILIATIONS OF REPORTABLE SEGMENT PROFIT OR LOSS

	Six months ended 30 June	
	2022 HK\$'000	2021 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
Profit before taxation	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 HK\$'000	2021 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

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

5 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items:

	Six months ended 30 June	
	2022 HK\$'000	2021 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 (Note 8)	45	13

6 INCOME TAX

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Current taxation:		
– Hong Kong Profits Tax (Note (i))	1,434	2,201
– PRC Corporate Income Tax (Note (iv))	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.

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

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 PROPERTY, PLANT AND EQUIPMENT

(a) Right-of-use assets

During the six months ended 30 June 2022, the Group has not entered into any new lease agreement for use of buildings and no additions to right-of-use assets were recognised. (six months ended 30 June 2021: HK\$1,061,000).

(b) Acquisitions and disposals of owned assets

During the six months ended 30 June 2022, the Group acquired items of property, plant and equipment with a cost of HK\$27,337,000 (six months ended 30 June 2021: HK\$4,035,000).

Property, plant and equipment with a carrying amount of HK\$91,000 was disposed of during the six months ended 30 June 2022 (six months ended 30 June 2021: HK\$572,000), resulting in a net loss of HK\$45,000 (six months ended 30 June 2021: net loss of HK\$13,000).

9 GOODWILL

Goodwill is allocated to the Group's cash-generating units identified according to the operations of the Group as follows:

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Operations in the provision of application solutions related services (Note (i))		
– Suzhou Huaqi Intelligent Technology Co., Ltd. (“Huaqi Intelligent”)	523,296	547,361
– Provision of application solution service	55,221	57,761
Operations related to the civil communication transmission systems business (Note (ii))	10,484	10,966
	589,001	616,088

Notes:

- (i) Goodwill was mainly arisen from the Group's acquisition of the 100% equity interests in Innovation Holding Co., Ltd. in 2013 and acquisition of the 95% equity interests in Huaqi Intelligent in 2019.
- (ii) Goodwill was arisen from the Group's acquisition of the civil communication transmission systems and the respective income rights of seven subway lines and the civil communication income rights of the airport line of the Beijing Subway in 2014.

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

10 INTERESTS IN JOINT VENTURES AND ASSOCIATES

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Unlisted equity investments at cost	420,073	420,359
Share of results	12,628	(3,050)
Dividend	(1,768)	(5,435)
Exchange adjustments	(3,037)	6,849
	427,896	418,723

For the six months ended 30 June 2022, the Group's share of results of joint ventures and associates was gain of HK\$21,113,000 (six months ended 30 June 2021: HK\$41,805,000), including gain of HK\$19,408,000 (six months ended 30 June 2021: HK\$35,736,000) from the Group's joint venture Beijing Metro Co., Ltd..

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

11 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

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

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

11 CONTRACT ASSETS AND CONTRACT LIABILITIES (CONTINUED)

(b) Contract liabilities

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

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Trade receivables due from (Note 12(a)):		
– 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	200,243	187,303
	726,447	740,635
Amounts due from related parties (Note 12(b)):		
– 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	16,072	14,801
Financial assets measured at amortised cost	807,324	832,133
Fair value of put-options in connection with acquisition of a subsidiary	1,022	1,069
	808,346	833,202

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

Notes to the Unaudited Interim Financial Report

(Expressed in HK\$ unless otherwise indicated)

12 TRADE AND OTHER RECEIVABLES (CONTINUED)

(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	125,610	143,488
	726,447	740,635

(b) Amounts due from related parties

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

13 CASH ON HAND AND IN BANK

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Cash on hand and in bank	589,018	848,043
Restricted bank deposits	128,883	45,332
Cash and cash equivalents in the consolidated statement of financial position	717,901	893,375
Less: restricted bank deposits (Note 19)	(128,883)	(45,332)
Cash and cash equivalents in the condensed consolidated cash flow statement	589,018	848,043

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

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(Expressed in HK\$ unless otherwise indicated)

14 TRADE AND OTHER PAYABLES

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Trade payables due to (Note 14(a))		
– 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 (Note 14(a))	114,972	129,891
	822,290	823,295
Payable for acquisition of Huaqi Intelligent	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	58,730	2,107
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	11,386	11,573
	1,074,068	1,076,210

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.

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14 TRADE AND OTHER PAYABLES (CONTINUED)

(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 HK\$'000	At 31 December 2021 HK\$'000
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	17,239	11,008
	822,290	823,295

15 BANK AND OTHER BORROWINGS

	At 30 June 2022 HK\$'000	At 31 December 2021 HK\$'000
Bank loans		
– Guaranteed and unsecured	32,780	35,321
– Unguaranteed and unsecured	9,355	13,454
Borrowings from a related party	300,000	300,000
	342,135	348,775

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16 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 HK\$'000	2021 HK\$'000
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	56,623	52,428

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

(a) Financial instruments measured at fair value

(i) FAIR VALUE HIERARCHY

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.
- Level 3 valuations: Fair value measured using significant unobservable inputs.

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(Expressed in HK\$ unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(i) FAIR VALUE HIERARCHY (CONTINUED)

	Fair value at 30 June 2022 HK\$'000	Fair value measurement as at 30 June 2022 categorised into Level 3 HK\$'000
Recurring fair value measurement		
Financial assets:		
Other financial asset – equity investments measured at fair value through profit or loss (“FVPL”)	66,505	66,505
Put-options in connection with acquisition of a subsidiary	1,022	1,022
Contingent considerations	27	27
Financial liabilities:		
Put-options in connection with cash-settled share-based transaction	11,386	11,386

	Fair value at 31 December 2021 HK\$'000	Fair value measurement as at 31 December 2021 categorised into Level 3 HK\$'000
Recurring fair value measurement		
Financial assets:		
Other financial asset – equity investments measured at FVPL	67,576	67,576
Put-options in connection with acquisition of a subsidiary	1,069	1,069
Contingent considerations	27	27

During the six months ended 30 June 2022, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group’s policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

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(Expressed in HK\$ unless otherwise indicated)

17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

(ii) INFORMATION ABOUT LEVEL 3 FAIR VALUE MEASUREMENTS

Other financial assets – equity investment measured at FVPL

The valuation model of the fair value of unlisted equity investment is based on adjusted recent transaction price or market multiples derived from quoted prices of companies comparable to the underlying investments, adjusted for the effect of the non-marketability of the underlying investments and price to equity value of the investee.

The Group determines the fair value of unlisted equity investment in Beijing Zhilian Youdao Technology Co., Ltd. by using discounted cash flow model, considering multi-scenario probability. The significant unobservable inputs are the profit forecast of the investee.

Put-options in connection with acquisition of a subsidiary

The estimate of the fair value of the put-options received is measured based on Black-Scholes model. The expected exercise price, expected period, expected volatility of the price of the option, expected dividend yield, the risk free rate and market price of the option are used as the key inputs into the model with reference to the acquisition agreements and comparable companies historical trading information. The expected exercisable price is estimated based on pre-determined formulae at the date of grant. Expected dividends are based on historical dividends of the subsidiary.

Contingent considerations

The fair value of contingent considerations are determined using valuation model considering the present value of expected receivables or payments, discounted using a risk-free discount rate.

The Group is of the opinion that the unobservable inputs used in the fair value measurements of contingent considerations receivable is not significant.

Put-options in connection with cash-settled share-based transaction

The fair value of services received in return for put-options granted is measured by reference to the fair value of put-options granted. The estimate of the fair value of the put-options granted is measured based on Black-Scholes model and expected likelihood of occurrence of non-vesting condition. The expected exercise price, expected period, expected volatility of the price of the underlying assets, expected dividend yield, the risk-free rate and market price of the underlying assets are used as the key inputs into the model with reference to the acquisition agreement and comparable companies historical trading information. The expected exercisable price is estimated based on financial forecasts of Huaqi Intelligent, which is prepared by the management of the Group, and calculated in accordance with the pre-determined formulae at the date of grant. Expected dividends are based on historical dividends of Huaqi Intelligent.

Expected fulfilment of vesting conditions is taken into account by adjusting the portion of the puttable Underlying Assets included in the measurement of the liabilities arising from the outstanding put-options.

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17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

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

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

The movement during the period in the balance of Level 3 fair value measurements is as follows:

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Other financial assets – equity investments measured at FVPL:		
Balance at 1 January	67,576	–
Gain included in “Fair value change on other financial assets”		
– Net change in fair value (unrealised)	1,955	–
Loss included in “Other comprehensive income”		
– Net foreign exchange loss	(3,026)	–
Balance at 30 June	66,505	–
Put-options in connection with acquisition of a subsidiary:		
Balance at 1 January	1,069	1,039
Gain included in “Fair value change on put-options”		
– Net change in fair value (unrealised)	–	2
(Loss)/gain included in “Other comprehensive income”		
– Net foreign exchange (loss)/gain	(47)	10
Balance at 30 June	1,022	1,051
Contingent considerations receivable:		
Balance at 1 January	27	52
Gain included in “Fair value change in contingent considerations”		
– Net change in fair value (unrealised)	1	1
(Loss)/gain included in “Other comprehensive income”		
– Net foreign exchange (loss)/gain	(1)	1
Balance at 30 June	27	54
Contingent considerations payable:		
Balance at 1 January	–	107,159
Reclassification to other payables	–	(89,401)
Loss included in “Fair value change in contingent considerations”		
– Net change in fair value (unrealised)	–	879
Loss included in “Other comprehensive income”		
– Net foreign exchange loss	–	204
Balance at 30 June	–	18,841
Put-options in connection with cash-settled share-based transaction:		
Balance at 1 January	11,573	5,621
Loss included in “Other comprehensive income”		
– Net foreign exchange (gain)/loss	(187)	65
Balance at 30 June	11,386	5,686

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17 FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2022 and 31 December 2021.

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the material related party transactions entered into by the Group during the six months ended 30 June 2022 are set out below.

(a) Transactions with equity shareholders of the Company and their affiliates

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Interest of loans from a fellow subsidiary	2,587	12,899
Provision of design, implementation and sale of application solution services	49,329	48,460
Provision of maintenance of application solution services	28,006	32,279
Lease expenses	2,469	4,850
Purchases of goods and services	12,300	27,577
Net increase in contract liabilities	6,463	25,736

(b) Transaction with a joint venture and associates

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Purchases of goods	58,235	29,020
Dividend received from associates	1,768	1,182
Provision of design, implementation and sale of application solution services	1,310	4,159
Loans repaid from an associate	4,892	–
Interest income from loan to an associate	76	–

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18 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel remuneration

	Six months ended 30 June	
	2022 HK\$'000	2021 HK\$'000
Short-term employee benefits	3,037	3,220
Retirement scheme contributions	371	315
	3,408	3,535

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

The ultimate holding company of the Company, Beijing Infrastructure Investment Co., Ltd., is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 18(a) above, the Group also has transactions with other state-controlled entities include but not limited to the following:

- provision of design, implementation and sale of application solution services;
- maintenance of application solution services;
- civil communication transmission services;
- bank deposits;
- bank loans; and
- purchase of other financial assets.

19 CONTINGENCY

In 2018, the Group acquired 95% equity interests of Huaqi Intelligent with certain considerations deferred and adjustable to the performance of Huaqi Intelligent during the calendar years of 2019, 2020 and 2021 (the "Deferred Considerations"). At 30 June 2022, the unpaid Deferred Considerations, of which amount was confirmed by the former shareholder of Huaqi Intelligent (the "Former Shareholder") in written, was HK\$87,418,000 and recognised as "trade and other payables" of the Group. The Former Shareholder pledged its contractual rights to the Deferred Considerations to a bank for certain bank borrowings. As a result of default of the Former Shareholder, the bank has taken legal action against the Former Shareholder and sued the Company as one of the defendants. On 10 February 2022, the Company received an execution notice from Beijing Financial Court to freeze its deposits of HK\$95,304,000 in the relevant bank for the period from 10 February 2022 to 9 February 2025.

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

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20 IMPACTS OF COVID-19 PANDEMIC

The Covid-19 pandemic since early 2020 continues to bring uncertainties to the Group's operating environment and may impact the Group's operations and financial position.

Despite of the gradual easing of the original Covid-19 pandemic in Mainland China, various travel restrictions and preventive measures are still in place to avoid wide-spread of the Covid-19 pandemic. Accordingly, the Group continues to closely monitor these possible impacts have on the Group's businesses and keep contingency measures in place and under review. The directors of the Company confirm that these contingency measures include but not limited to maintaining regular communication with customers and suppliers through online and remote working model to ensure the normal operation of business, improving the Group's cash management by expediting debtor settlements and negotiating with suppliers on extension of payment terms, steadily promoting resumption of work and operation and taking various measures to reduce the cost and increase efficiency.

As far as the Group's businesses are concerned, the Covid-19 related preventive measures may impact the supply and price of some raw materials and/or impact the progress and delivery of some projects and hence the profitability of the Group's operations. The Group will keep the contingency measures under review as the Covid-19 pandemic situation evolves.