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**京 投 軌 道 交 通 科 技 控 股 有 限 公 司**  
**BII Railway Transportation Technology Holdings Company Limited**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock Code: 1522)**

**ANNUAL RESULTS ANNOUNCEMENT**  
**FOR THE YEAR ENDED 31 DECEMBER 2021**  
**AND**  
**RESIGNATION OF NON-EXECUTIVE DIRECTOR**

The board (the “Board”) of directors (the “Directors”) of BII Railway Transportation Technology Holdings Company Limited (the “Company”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2021.

The consolidated financial results set out in this announcement are extracted from the Group’s audited consolidated financial statements for the year ended 31 December 2021 (“2021 financial year” or “FY 2021”).

# **CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

*For the year ended 31 December 2021 (Expressed in Hong Kong dollars (“HK\$”))*

		<b>2021</b>	<b>2020</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Revenue</b>	<b>3</b>	<b>1,749,210</b>	1,549,976
Cost of sales		<u>(1,101,684)</u>	<u>(934,717)</u>
<b>Gross profit</b>	<b>3(b)</b>	<b>647,526</b>	615,259
Other income		<b>59,016</b>	49,962
Selling, general and administrative expenses		<b>(287,994)</b>	(257,867)
Impairment loss on trade receivables and contract assets		<b>(7,138)</b>	(28,842)
Impairment loss on goodwill		<b>(64,747)</b>	–
Research expenses		<u><b>(164,421)</b></u>	<u>(135,261)</u>
<b>Profit from operations</b>		<b>182,242</b>	243,251
Finance costs	<b>4(a)</b>	<b>(27,038)</b>	(29,019)
Share of results of joint ventures and associates		<b>56,711</b>	(108,168)
Fair value change on other financial assets		<b>302</b>	–
Fair value change on contingent considerations		<u><b>18,627</b></u>	<u>106,840</u>
<b>Profit before taxation</b>	<b>4</b>	<b>230,844</b>	212,904
Income tax	<b>5</b>	<u><b>(31,339)</b></u>	<u>(29,112)</u>
<b>Profit for the year</b>		<u><b>199,505</b></u>	<u>183,792</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>187,535</b>	168,407
Non-controlling interests		<u><b>11,970</b></u>	<u>15,385</u>
<b>Profit for the year</b>		<u><b>199,505</b></u>	<u>183,792</u>
<b>Earnings per share</b>			
– Basic (HK\$)	<b>6</b>	<u><b>0.089</b></u>	<u>0.080</u>
– Diluted (HK\$)	<b>6</b>	<u><b>0.089</b></u>	<u>0.080</u>

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

*For the year ended 31 December 2021 (Expressed in HK\$)*

	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Profit for the year</b>	<b>199,505</b>	183,792
<b>Other comprehensive income for the year (after tax):</b>		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	<u>74,049</u>	<u>141,983</u>
<b>Total comprehensive income for the year</b>	<u><b>273,554</b></u>	<u><b>325,775</b></u>
<b>Attributable to:</b>		
Equity shareholders of the Company	<b>259,971</b>	307,161
Non-controlling interests	<u><b>13,583</b></u>	<u>18,614</u>
<b>Total comprehensive income for the year</b>	<u><b>273,554</b></u>	<u><b>325,775</b></u>

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2021 (Expressed in HK\$)*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	<b>2020</b> <b>HK\$'000</b>
<b>Non-current assets</b>			
Property, plant and equipment		<b>207,971</b>	170,171
Intangible assets		<b>232,366</b>	237,010
Goodwill		<b>616,088</b>	662,320
Interests in joint ventures and associates		<b>418,723</b>	356,256
Other financial assets		<b>67,576</b>	–
Contingent considerations		<b>27</b>	52
Deferred tax assets		<b>40,188</b>	42,316
		<b>1,582,939</b>	1,468,125
<b>Current assets</b>			
Other financial assets		–	219,819
Inventories and other contract costs		<b>471,224</b>	410,731
Contract assets	7(a)	<b>631,030</b>	520,322
Trade and other receivables	8	<b>833,202</b>	687,074
Loans to an associate		<b>4,892</b>	7,130
Cash on hand and in bank		<b>893,375</b>	983,829
		<b>2,833,723</b>	2,828,905
<b>Current liabilities</b>			
Trade and other payables	9	<b>1,076,210</b>	893,658
Contract liabilities	7(b)	<b>68,799</b>	59,722
Bank and other borrowings		<b>48,775</b>	571,412
Lease liabilities		<b>17,747</b>	7,618
Current taxation		<b>24,508</b>	24,670
Contingent considerations		–	88,830
Provision for warranties		<b>9,895</b>	8,564
		<b>1,245,934</b>	1,654,474
<b>Net current assets</b>		<b>1,587,789</b>	1,174,431
<b>Total assets less current liabilities</b>		<b>3,170,728</b>	2,642,556

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)***At 31 December 2021 (Expressed in HK\$)*

	<i>Note</i>	<b>2021</b> <b>HK\$'000</b>	2020 HK\$'000
<b>Non-current liabilities</b>			
Bank and other borrowings		<b>300,000</b>	–
Lease liabilities		<b>40,520</b>	14,860
Contingent considerations		–	18,329
Deferred tax liabilities		<b>51,589</b>	52,998
Deferred income		<b>4,938</b>	1,504
Provision for warranties		<b>1,787</b>	1,861
		<b>398,834</b>	89,552
<b>NET ASSETS</b>		<b>2,771,894</b>	2,553,004
<b>CAPITAL AND RESERVES</b>	<i>10</i>		
Share capital		<b>20,971</b>	20,971
Reserves		<b>2,639,189</b>	2,431,646
<b>Total equity attributable to equity shareholders of the Company</b>		<b>2,660,160</b>	2,452,617
Non-controlling interests		<b>111,734</b>	100,387
<b>TOTAL EQUITY</b>		<b>2,771,894</b>	2,553,004

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*(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 was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The consolidated financial statements of the Company as at and for the year ended 31 December 2021 comprise 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 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

The consolidated financial statements for the year ended 31 December 2021 comprise the Group and the Group’s interests in joint ventures and associates.

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

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

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

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

**(c) Changes in accounting policies**

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

- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform – phase 2*
- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June 2021*

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

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

### **3 REVENUE AND SEGMENT REPORTING**

**(a) Revenue**

The principal activities of the Group are the design, production, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, the provision of civil communication transmission services, as well as design, implementation and sale of related software, hardware and spare parts in utility tunnel areas, and the investment in the railway transportation areas and infrastructure areas through investing in equity. Further details regarding the Group's principal activities are disclosed in Note 3(b).

(i) *Disaggregation of revenue*

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

	2021 HK\$'000	2020 HK\$'000
<b>Revenue from contracts with customers within the scope of IFRS 15</b>		
Revenue from intelligent railway transportation services	1,516,154	1,340,574
Revenue from infrastructure information services	233,056	209,402
	<u>1,749,210</u>	<u>1,549,976</u>

For the year ended 31 December 2021, revenues from transactions with one customer (2020: one customer) has exceeded 10% of the Group's revenue:

	2021 HK\$'000	2020 HK\$'000
Customer A	281,153	–
Customer B	–	170,074

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

As at 31 December 2021, the aggregated amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is HK\$2,199,100,000 (31 December 2020: HK\$2,061,681,000). This amount represents revenue expected to be recognised in the future from intelligent railway transportation contracts and infrastructure information services contracts entered into by the customers with the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to occur over the next 1 to 36 months (31 December 2020: next 1 to 36 months).

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

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

	2021 HK\$'000	2020 HK\$'000
Within 1 year	166,675	167,569
After 1 year but within 5 years	116,599	264,879
	<u>283,274</u>	<u>432,448</u>



**(b) Segment reporting**

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

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

**(i) Segment results**

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the costs incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the years ended 31 December 2021 and 2020. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss on trade receivables and contract assets, impairment loss on goodwill, research expenses, finance costs, fair value change on other financial assets, fair value change on contingent considerations and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, such information is presented.

Disaggregation of revenue from contracts with customers by timing of revenue recognition, as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2021 and 2020 is set out below.

	2021			
	Intelligent railway transportation HK\$'000	Infrastructure information HK\$'000	Business development investment HK\$'000	Total HK\$'000
<b>Disaggregated by timing of revenue recognition</b>				
Point in time	1,304,894	10,213	–	1,315,107
Over time	211,260	222,843	–	434,103
Revenue from external customers and reportable segment revenue	1,516,154	233,056	–	1,749,210
Reportable segment gross profit	498,302	149,224	–	647,526
Share of results of joint ventures and associates	–	–	56,711	56,711

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

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

	2021 HK\$'000	2020 HK\$'000
Reportable segment gross profit	647,526	615,259
Share of results of joint ventures and associates	56,711	(108,168)
Other income	59,016	49,962
Selling, general and administrative expenses	(287,994)	(257,867)
Impairment loss on trade receivables and contract assets	(7,138)	(28,842)
Impairment loss on goodwill	(64,747)	–
Research expenses	(164,421)	(135,261)
Finance costs	(27,038)	(29,019)
Fair value change on other financial assets	302	–
Fair value change on contingent considerations	18,627	106,840
Profit before taxation	230,844	212,904

(iii) *Geographic information*

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

	2021 HK\$'000	2020 HK\$'000
– Mainland China	1,674,860	1,509,187
– Hong Kong	38,593	40,789
– India	35,757	–
	1,749,210	1,549,976

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

#### 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) **Finance costs**

	2021 HK\$'000	2020 HK\$'000
Interests on bank and other borrowings	973	1,948
Interests on loans from a related party	24,809	26,084
Interest on lease liabilities	1,256	987
	<u>27,038</u>	<u>29,019</u>

(b) **Staff costs**

	2021 HK\$'000	2020 HK\$'000
Salaries, wages and other benefits	319,406	296,978
Contributions to defined retirement plans	22,558	2,426
Cash-settled share-based transaction expenses	5,705	4,810
	<u>347,669</u>	<u>304,214</u>

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed by the Group's subsidiaries incorporated in Hong Kong under a trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the MPF Scheme vest immediately.

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

(c) **Other items**

	2021 HK\$'000	2020 HK\$'000
Cost of inventories	797,745	621,618
Auditors' remuneration:		
– statutory audit services	3,376	3,151
– other services	1,146	1,519
Impairment loss on property, plant and equipment	–	21,287
Impairment loss on goodwill	64,747	–
Inventories write-down	–	5,477
Depreciation charge		
– owned property, plant and equipment	27,396	32,678
– right-of-use assets	10,766	7,441
Amortisation of intangible assets	22,431	15,771
Net loss/(gain) on disposal of owned property, plant and equipment and intangible assets	36	(77)
Expense relating to short-term leases and leases of low value assets, which not included in the measurement of lease liabilities	15,452	11,621

*Note:*

Cost of inventories includes HK\$109,547,000 (2020: HK\$108,122,000) relating to staff costs, and depreciation and amortisation expenses, which amount is also included in the respective total amounts disclosed separately above or in Note 4(b) for each of these types of expenses.

**5 INCOME TAX**

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

	2021 HK\$'000	2020 HK\$'000
Current taxation:		
– Hong Kong Profits Tax	6,717	2,783
– PRC Corporate Income Tax	24,357	34,113
	31,074	36,896
Deferred taxation:		
– Origination and reversal of temporary differences	265	(7,784)
	31,339	29,112

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit before taxation	<b>230,844</b>	212,904
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii), (iii) and (iv))	<b>57,814</b>	53,171
Tax effect of non-deductible expenses	<b>4,884</b>	8,273
Tax effect of non-deductible fair value changes on contingent considerations	<b>(3,076)</b>	(17,617)
Share of results of joint ventures and associates	<b>(11,333)</b>	18,284
Non-taxable interest income	<b>(354)</b>	(2,024)
Non-taxable foreign exchange gains	<b>(360)</b>	(18)
Tax effect of utilisation of prior years' temporary differences previously not recognised	<b>(514)</b>	(152)
Tax effect of tax losses and deductible temporary differences not recognised	<b>13,611</b>	6,439
Tax concessions (Notes (v), (vi) and (vii))	<b>(29,333)</b>	(37,244)
Income tax	<b>31,339</b>	29,112

*Notes:*

- (i) The Company and the subsidiaries of the Group incorporated in Hong Kong are subject to Hong Kong Profits Tax rate of 16.5% for the year ended 31 December 2021, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime (2020: 16.5%).

For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2020.

- (ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) and India are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.
- (iii) The subsidiaries of the Group established in the PRC (excluding Hong Kong) are subject to PRC Corporate Income Tax rate of 25% for the year ended 31 December 2021 (2020: 25%).
- (iv) The subsidiary incorporated in India is subject to India Profits Tax rate of 25% for the year ended 31 December 2021 (2020: 25%).
- (v) Certain subsidiaries of the Group established in the PRC have obtained approvals from the tax bureau to be taxed as enterprises with advanced and new technologies. As a result, these subsidiaries enjoyed a preferential PRC Corporate Income Tax rate of 15% for the year ended 31 December 2021. In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 75%/100% of the qualified research and development costs incurred by these subsidiaries (2020: 75%).

- (vi) Certain subsidiaries of the Group were designated as software enterprises. As such, these subsidiaries were entitled to a two years' exemption from PRC Corporate Income Tax followed by three years of 50% PRC Corporate Income Tax reduction. As a result, these subsidiaries enjoyed an exemption from PRC Corporate Income Tax or 50% PRC Corporate Income Tax reduction for the year ended 31 December 2021.
- (vii) During the year ended 31 December 2021, certain subsidiaries of the Group met the criteria of Small Low-profit Enterprise and enjoyed a preferential income tax policy. As such, for these subsidiaries, the first Renminbi ("RMB") 1 million of taxable profits are taxed at an effective tax rate of 5%; the second and third RMB1 million of taxable profits are taxed at an effective tax rate of 10%.

## 6 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the year ended 31 December 2021 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$187,535,000 (2020: HK\$168,407,000) and the weighted average of 2,097,147,000 ordinary shares (2020: 2,098,787,000 ordinary shares) in issue during the year, calculated as follows:

### Weighted average number of ordinary shares

	2021 '000	2020 '000
Issued ordinary shares at 1 January	2,097,147	2,100,127
Effect of shares repurchased	—	(1,340)
	<u>2,097,147</u>	<u>2,098,787</u>
Weighted average number of ordinary shares at 31 December	<u>2,097,147</u>	<u>2,098,787</u>

The Group has no dilutive ordinary shares outstanding for the year ended 31 December 2021 and 2020. Therefore, there was no difference between basic and diluted earnings per share.

## 7 CONTRACT ASSETS AND CONTRACT LIABILITIES

### (a) Contract assets

	2021 HK\$'000	2020 HK\$'000
<b>Contract assets</b>		
Arising from performance under contracts with customers	686,535	569,521
Less: loss allowance	(55,505)	(49,199)
	<u>631,030</u>	<u>520,322</u>
<b>Trade receivables and bills receivable from contracts with customers within the scope of IFRS 15, which are included in "Trade and other receivables" (Note 8)</b>	<u>713,245</u>	<u>625,267</u>

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

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

The amount of contract assets that is expected to be recovered after more than one year is HK\$38,361,000 (2020: HK\$41,083,000), all of which relates to retentions.

**(b) Contract liabilities**

	2021 HK\$'000	2020 HK\$'000
<b>Contract liabilities</b>		
Service contracts		
– Billings in advance of performance	<u>68,799</u>	<u>59,722</u>

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

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

*Movements in contract liabilities*

	2021 HK\$'000	2020 HK\$'000
Balance at 1 January	59,722	31,568
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(60,608)	(31,820)
Increase in contract liabilities as a result of billing in advance of service	67,828	56,557
Exchange adjustments	<u>1,857</u>	<u>3,417</u>
Balance at 31 December	<u>68,799</u>	<u>59,722</u>

The amount of billings in advance of performance and forward sales deposits received expected to be recognised as income within one year is HK\$68,799,000 (2020: HK\$59,722,000).

## 8 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables due from:			
– third parties		<b>484,688</b>	317,040
– affiliates of an equity shareholder of the Company		<b>67,477</b>	4,853
– a joint venture of the Group		<b>1,167</b>	1,196
Bills receivable		<b>187,303</b>	326,479
		<b>740,635</b>	649,568
Amounts due from related parties:	(b)		
– equity shareholders of the Company and their affiliates		<b>6,792</b>	440
– an associate of the Group		<b>–</b>	1,188
		<b>6,792</b>	1,628
Less: loss allowance of trade receivables		<b>(27,390)</b>	(24,301)
Prepayments, deposits and other receivables		<b>97,295</b>	55,165
VAT recoverable		<b>14,801</b>	3,975
Financial assets measured at amortised cost		<b>832,133</b>	686,035
Fair value of put-options in connection with acquisition of Litmus Technologies (Beijing) Co., Ltd. * (北京樂碼仕智能科技有限公司) (“Litmus”)		<b>1,069</b>	1,039
		<b>833,202</b>	687,074

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

### (a) Ageing analysis

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

	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 1 year	<b>597,147</b>	564,760
Over 1 year	<b>143,488</b>	84,808
	<b>740,635</b>	649,568

### (b) Amounts due from related parties

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



## 9 TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables due to:		
– third parties	625,225	516,844
– affiliates of an equity shareholder of the Company	55,724	57,870
– a joint venture of the Group	11,048	4,802
– associates of the Group	1,407	7,678
Bills payables	<u>129,891</u>	<u>146,640</u>
	<b>823,295</b>	733,834
Payable for acquisition	<b>91,438</b>	–
Accrued expenses and other payables	<u>118,448</u>	<u>126,089</u>
Financial liabilities measured at amortised cost	<b>1,033,181</b>	859,923
Other taxes payables	<b>31,456</b>	28,114
Put-options in connection with share-based transaction	<u>11,573</u>	<u>5,621</u>
	<b><u>1,076,210</u></b>	<b><u>893,658</u></b>

### Ageing analysis

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Due within 1 month or on demand	719,554	599,099
Due after 1 month but within 6 months	92,733	76,574
Due after 6 months but within 1 year	<u>11,008</u>	<u>58,161</u>
	<b><u>823,295</u></b>	<b><u>733,834</u></b>

## 10 CAPITAL AND DIVIDENDS

### (a) Dividends

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

	2021 HK\$'000	2020 HK\$'000
Final dividend proposed after the end of the reporting period of HK\$2.7 cents per ordinary share (2020: HK\$2.5 cents)	<u>56,623</u>	<u>52,428</u>

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

(ii) *Dividends to equity shareholders of the Company attributable to the previous financial year, approved during the current year*

	2021 HK\$'000	2020 HK\$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK\$2.5 cents per ordinary share (2020: HK\$2 cents)	<u>52,428</u>	<u>42,002</u>

### (b) Share capital

*Authorised and issued share capital*

	2021		2020	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
<b>Authorised:</b>				
Ordinary shares of HK\$0.01 each	<u>5,000,000,000</u>	<u>50,000</u>	<u>5,000,000,000</u>	<u>50,000</u>
<b>Issued and fully paid:</b>				
At 1 January	2,097,146,727	20,971	2,100,126,727	21,001
Cancellation of shares	<u>-</u>	<u>-</u>	<u>(2,980,000)</u>	<u>(30)</u>
At 31 December	<u>2,097,146,727</u>	<u>20,971</u>	<u>2,097,146,727</u>	<u>20,971</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **MARKET AND BUSINESS ENVIRONMENT**

2021 is the first year of development under China's 14th Five Year Plan and a crucial year for the acceleration of building China into a country with a strong transportation network. According to the data from the China Association of Metros, as of 31 December 2021, a total of 50 cities in mainland China have opened up rail transit lines spanning over a length of 9,192.62 kilometers ("km"), an increase of approximately 15% compared with the previous year, showing a good growth momentum. Among the rail transit lines, 39 urban rail transit lines (sections) were newly added, spanning over a length of approximately 1,200 km in China in 2021. Five cities including Luoyang and Shaoxing opened urban rail transit lines for the first time. The rail transit industry continued to maintain a steady development trend. Besides, the total length of railway lines exceeded 150,000 km as of the end of 2021, and the total fixed-asset investments in railways reached RMB748.9 billion in 2021. Several railway lines, including the Beijing-Chengde section of Beijing-Harbin High-speed Railway, Xuzhou-Lianyungang High-speed Railway, and Zhangjiajie-Jishou-Huaihua High-speed Railway were put into operation. Railway investments continued to remain at a high level.

In 2021, Beijing's rail transit network had a total passenger volume of approximately 3.07 billion, and the average daily passenger volume had reached approximately 8.41 million. With the opening of 9 railway lines, namely, Beijing Subway Line 8's northern section in Phase III, Line 11's western section, Line 14's remaining section, Line 17's southern section, Line 19's Phase I, Capital Airport Express' western extension, Line S1's remaining section, and the northern section of the southern extension of Changping Line's Phase I, Beijing's rail transit operating mileage reached 783 km, with 27 railway lines and 459 stations in operation as of the end of 2021. This represents continuous improvement of the modernisation of urban transportation system.

Under the guidance and support of macro policies, the railway and urban rail transit sector in mainland China will maintain rapid development, thereby driving the rapid development of the entire industry chain involving investment, construction, operation and maintenance. Under the industry environment, the Group has achieved its strategic goals of 2021 by virtue of its own advantages, its research and judgement on development opportunities. It integrated internal systems and gained momentum to lay the foundation for sustainable growth in the future.

### **BUSINESS REVIEW**

#### **Overview**

2021 was a crucial year for the development strategy of the Group. Under stable and orderly epidemic prevention and control, the Group continued to concentrate on its major business development based on the strategic theme of "one body, one platform, and one centre". The Group increased its market expansion efforts, enhanced coordinated development advantages of its strategic investment control platform, and upgraded innovative scientific research technologies and product systems. Multiple measures were taken to reduce costs and increase efficiency, improve the building of compliance systems, and enhance brand influence. In 2021, the Group's two major businesses, namely the intelligent railway transportation business and infrastructure information business, developed steadily with an improvement in results.

In 2021, the Group continued to adhere to high standards of epidemic prevention and control efforts. It held 11 special work meetings on epidemic prevention and control throughout the year to publicize the documents related to prevention and control work. The Group actively deployed and implemented prevention and control measures such as vaccination of its employees, with the vaccination rate of employees as high as 95%. The Group also paid attention to the epidemic prevention and control of overseas employees. As a result, no employee was infected by the epidemic in 2021, laying the foundation for steady business development.

The Group's operating results increased significantly and its operating quality improved continuously in 2021. Sales revenue increased by approximately 12.9% from the previous year to approximately HK\$1,749.2 million. The sales revenue of the intelligent rail transit business was approximately HK\$1,516.2 million, representing an increase of approximately 13.1% over the previous year, accounting for 86.7% of the total sales revenue. The growth is mainly attributed to the continuous expansion of the Group's projects in mainland China outside Beijing. The sales revenue of the infrastructure information business accounted for approximately 13.3%, amounting to approximately HK\$233.1 million, representing a year-on-year increase of approximately 11.3%. With an increase in sales revenue, the Group's gross profit margin in FY 2021 remained stable at approximately 37.02%. The profit attributable to equity shareholders was approximately HK\$187.5 million, an increase of approximately 11.3% compared with the previous year and the dividend per share rose to HK\$2.7 cents (FY 2020: HK\$2.5 cents).

The Group adhered to its market strategy of “relying on Beijing and Hong Kong, stepping up presence nationwide, and exploring international markets”, and it made great progress in market expansion. The Group participated in several subway and suburban railway projects, including the Beijing Subway Line 11 project, an urban sub-centre hub building project, and intelligent building site projects in Beijing. It expanded its footprints to two cities in mainland China, namely Huangshi in Hubei and Nagqu in Tibet. Moreover, the Group tapped into four foreign countries, namely Australia, Saudi Arabia, United Arab Emirates (“UAE”) and Nigeria, through its international business department. As of the end of 2021, the Group's businesses covered a total of 49 Chinese cities and 22 cities in 13 foreign countries. The Group had orders on hand of approximately HK\$2.20 billion as of the end of 2021, representing an increase of approximately 6.8% over the same period of the previous year.

The Group has also actively explored innovation business in rail transit while focusing on the development of its main businesses. The investment in technology research and development (“R&D”) maintained at a high level and amounted to approximately HK\$164.4 million, which represented approximately 9.4% of the total revenue in FY 2021. The investment effectively promoted the transformation of scientific and technological achievements to establish technological innovation reserves, boost the Group's profitability in the future and consolidate the foundation for enhancing the Group's intelligent railway transportation business. The Group paid continuous attention to intellectual property protection. It obtained 25 new patent certificates (111 in total as of the end of 2021) and 88 new software copyright certificates (436 in total as of the end of 2021) in FY 2021, which have been applied in many projects to maintain a strong level of R&D innovation and to enhance the quality and efficiency for sustainable development of the Group.

In 2021, the main business of Suzhou Huaqi Intelligent Technology Co., Ltd.\* (蘇州華啟智能科技有限公司) (“Huaqi Intelligent”) remained stable, but due to the impact of the epidemic, it became more difficult to expand domestic and foreign businesses, especially due to the postponement or cancellation of some high-speed rail projects, resulting in a decline of Huaqi Intelligent’s performance as compared with the previous year. According to the amount of orders in hand of Huaqi Intelligent by the end of 2021, and considering its continuous market expansion, product innovation and the gradual acceleration of achievement transformation, the future development performance of Huaqi Intelligent is still promising. Reference is made to the Company’s circular dated 31 January 2019 concerning, among other things, the acquisition of 95% equity interest in Huaqi Intelligent (the “VSA Circular”). The Board announces that the 2021 Actual Performance of Huaqi Intelligent (as defined in the VSA Circular) did not reach 90% of the 2021 Guaranteed Performance (as defined in the VSA Circular), and therefore the 2021 Compensation Amount (as defined in the VSA Circular) is deemed to be outstanding in accordance with the terms of the Acquisition Agreements (as defined in the VSA Circular). Regarding the overall situation of Huaqi Intelligent’s performance commitment period in 2019, 2020 and 2021, the Group will make further disclosure after the issuance of special audit results on the financial performance of Huaqi Intelligent. For further details, please refer to the Company’s circular dated 31 January 2019.

## **BUSINESS ANALYSIS BY SEGMENT**

### **Intelligent railway transportation business: Practicability and steadiness**

The Group’s intelligent railway transportation business mainly involves Passenger Information System (PIS), Automated Fare Collection System (AFC), Automatic Fare Collection Clearing Centre (ACC) and Traffic Control Centre (TCC). The Group continues to expand its main business which focuses on an intelligent railway transportation system. It recorded sales revenue of approximately HK\$1,516.2 million in 2021, representing a year-on-year increase of approximately HK\$175.6 million or 13.1%. The increase in sales revenue was mainly due to the revenue derived from several key projects such as Shaoxing Urban Rail Transit Line 1 Project, Beijing Rail Transit Line 11 Project and Project of integration and Procurement of Clearing Centre System for Foshan Rail Transit Line Network during this year.

According to relevant market data, in 2021, relevant authorities in 18 cities of mainland China released tenders for on-board PIS systems of urban rail transit, involving a total of 5,810 vehicles. The Group won the bid for 1,894 vehicles, accounting for approximately 32.6% of the total vehicles, maintaining the top position in the industry’s comprehensive ranking for six consecutive years and solidifying its leading position in the on-board PIS industry. The synergic effect gradually emerged. In addition, due to the epidemic and intensifying industry competition, the Group found it difficult to expand its AFC business in markets outside Beijing, reflected by the drop in its market share in 2021.

***Business in Beijing saw solid development.*** The Group mainly participated in Beijing Subway Line 11’s AFC, PIS and communication and signalling system projects, the engineering project of connection to a cloud-based production business platform for Beijing Subway Lines 3, 12, 17, and 19, AFC operation and maintenance projects for suburban railways, and projects of intelligent safety for trains. While providing services to the capital’s rail transport construction, the Group spared all effort to ensure the construction of key projects such as the Winter Olympics branch line project of Beijing Subway to contribute to the successful holding of the Winter Olympics. Given the above, it further solidified its leading position in the capital city. At the same time, by closely following its overall strategy, the Group will participate in the construction of the third-phase platform for the intelligent subway and network in Beijing, with the purpose of becoming a major service provider for the subway intelligentisation and upgrading in Beijing. It spared all efforts to increase its market share in Beijing by enriching its existing product lines, building an intelligent subway product system and growing its core AFC, PIS and TCC businesses.

***Business across the country maintained rapid growth.*** The Group has signed contracts for the general integration project of Shaoxing Metro Line 1 and on-board PIS projects such as Shenzhen Metro Line 16 and Line 12, Shenyang Metro Line 4, Suzhou Metro Line S1, and Wenzhou Metro Line S2 project, the Pearl River Delta intelligent intercity high-speed railway project, and Huangshi and Lishui tram projects. At the same time, the Group has frequently made breakthroughs in market expansion with its key projects in mainland China (outside Beijing). The weak current general integration project of Shaoxing Metro Line 1 is the first project that the Group had undertaken as a master integrator with a contract value of RMB550 million. Meanwhile, the Group secured Shaoxing Metro Line 1 screen door and on-board PIS projects. Following Zhengzhou, Shaoxing has become another key regional hub of the Group's business in mainland China (outside Beijing), achieving remarkable synergic effects from the intensive development. In addition, the Group also won the bid for the multi-level network security protection transformation project of the Urumqi Rail Transit Line 1, which covers three major sub-systems, namely comprehensive monitoring, signalling, and AFC, setting up a benchmark in the field of rail transit network security. Drawing experience from the mature model of "Beijing products + Beijing services", the Group made decisions based on the actual local conditions to better expand the market in the mainland China (outside Beijing).

***It made constant efforts in overseas markets.*** Affected by the continuous impact of the epidemic, the Group still faced obstacles in its overseas business development in 2021. Despite this, its competitive advantages in technology and project management led to an acceleration in the expansion of overseas markets. During the year, the Group won bids for overseas projects such as the Bangalore Metro project in India, Delhi RS1 project in India, a surveillance screen project in Queensland, Australia, a light rail transformation project in Mecca, Saudi Arabia, a train project in the UAE, and a subway project in Lagos.

***Scientific and technology R&D achievements emerged.*** Focusing on integrated innovation, the Group is devoted to providing integrated solutions for products and services in the intelligent railway transportation industry. Relying on advanced technologies such as big data and cloud platforms, the Group has built a standardised big data platform for smart rail transit. Owing to the Group's independent innovation, it has improved its product systems by strengthening, upgrading, and adding intelligent products and systems. Internal and external collaboration has been enhanced to improve the capabilities of transforming and applying scientific research results. In 2021, the Company's self-developed unified rail transit data convergence platform was upgraded to version 2.0 and implemented in the Beijing Metro Line 11's data analysis platform and M Centre project. The intensive scheduling system was also implemented in Beijing Metro Line 11. This application was the first practical attempt of the system in the field of rail transit, received recognition in the industry. A large number of intelligent devices offering intelligent passenger services such as intelligent safety officer cameras, passenger counters and intelligent analysis systems, and prognostic and health management (PHM) edge hosts had been demonstrated in rail transit projects across China. In addition, the Group launched self-developed products including an urban rail cloud encryption platform, intelligent operation management platform, and train transparent window display system. While improving the intelligent product standard system, the Group further enhanced its ability to build an ecosystem of technological innovation.



## **Infrastructure information business: Upgrading and innovation**

The Group's infrastructure information business mainly consists of transmission services for subway civil communications and construction of the underground utility tunnel's intelligent management system, and intelligent plus services, which are mainly situated in Beijing. As for subway civil communications, the Group made a profit by charging fees from provision of its civil communication transmission services to China's three major telecom operators, and by gaining shared revenue from mobile data traffic. Meanwhile, in terms of underground utility tunnel's intelligent management system, the Group derived its revenue from offering system construction, operation and maintenance services. As for the intelligent+ business, the Group earned revenue mainly by providing intelligent control systems and services in a series of application scenarios such as intelligent building sites, intelligent parks, intelligent transit-oriented development (TOD), and intelligent communities.

In 2021, sales revenue derived from the infrastructure information business was approximately HK\$233.1 million, representing a year-on-year increase of approximately HK\$23.7 million or 11.3%. The revenue increase was mainly attributed to the new business of civil communications transmission via 100 MB 4G ports.

***The civil communications business grows steadily:*** As an important part of the infrastructure information segment, in 2021, the Group refined the operation of its existing civil communications business, to increase the value of civil communications assets. It explored new markets and approached new customers and created new revenue by expanding the business of innovative value-added products and services. As of the end of 2021, the Group's civil communications service has covered 27 metro lines and 237 metro stations in Beijing. In addition, the number of 100 MB 4G resources used by the three major telecom operators has increased by more than 130. Its self-built civil communications transmission systems for Beijing Subway Line 11's western section, Line 17's southern section, and Line 19's Phase I, Capital Airport Express' western extension, and Qinghe Station in Changping Line's southern extension line were put into operation along with the railway lines at the end of 2021. The rebuilding, operation and maintenance of existing railways were carried out in an orderly manner. Meanwhile, the Group also continued to expand its value-added services such as optical fibre transmission, IoT traffic resale, and telecommunications server room leases, contributing to its results during the year.

***Utility tunnel and intelligence+ businesses saw rapid development.*** The Group made steady progress in the field of utility tunnel by continuously upgrading its intelligent utility tunnel operation and maintenance management platform. This made it possible to perform efficient multi-level integrated utility tunnel management and comprehensively improved intelligent utility tunnel management and operation and maintenance. Actions were continuously taken to push forward with key projects, including Beijing 2022 Winter Olympics, Beijing New Airport Line, and Beijing Subway Line 7's eastern extension. In order to comprehensively improve the intelligent control of the comprehensive hub project of the Beijing Municipal Administrative Center, the Group's self-developed safety control platform system was upgraded to version 2.0. The system was developed with Building Information Model (BIM) lightweight design and Geographic Information Model (GIS). The Group made use of converged communication equipment to complete the positioning of construction personnel and large machinery, and made use of personnel trace backtracking and other technologies,

combined with the tracking of supervisors and construction personnel, to carry out hidden automatic elimination and other intelligent operations. Meanwhile, to ensure the building managers who manage the hub building have a timely and accurate understanding of the situation on the site, the hub builder's home project was created. The intelligent building site control platform provided by the Group provides building managers with real-time safety control data to guarantee safe, orderly and efficient control over on-site construction. In addition, the park service management system platform independently developed by the Group has been put into operation in Jingtou Building park. Other intelligent+ products and services such as the intelligent community control platform and the IoT monitoring platform were deployed. The Group's infrastructure information business, representing one of the major application scenarios in smart cities, will have broad market development potential in the future.

### **Investments in joint ventures and associates: Coordination and upgrading**

In 2021, 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 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 conditions, 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 dimensions 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.

In 2021, the Group strategically invested in Beijing Intelligence Union Yoodao Technology Co., Ltd\* (北京智聯友道科技有限公司), a provider of intelligent solutions for rail transit vocational education. It mainly provides rail transit informatisation education systems and services to secondary and higher vocational colleges. This investment will help the Group enter into the rail transit vocational education market and develop the rail transit after-market to further complement the business segment and coordinated development with its existing business. Meanwhile, the Group continued its investment in the Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership)\* (保定基石連盈創業投資基金中心(有限合夥)) ("Cornerstone Lianying"), which focuses on core industries related to rail transit and fields such as information technology, energy conservation and environmental protection, and new materials. The fund makes equity investments in potential companies with high growth and outstanding core competitiveness to explore the possibility of coordinated business development while obtaining investment returns. In addition, Huaqi Intelligent set up a subsidiary in Changchun to further meet customers' localisation requirements, strengthen business synergy with customers, and look for more cooperation opportunities.



The Group also strengthened the control and coordination of its investment holding companies, adopted differentiated management, optimised and integrated resources, and realised synergic effect.

- Due to the epidemic, the Beijing Subway Capital Airport Express operated by Beijing Metro Co., Ltd.\* (北京京城地鐵有限公司) (“Beijing Metro”), a joint venture of the Group, with an annual passenger volume of approximately 4 million in 2021, similar to that of 2020. Meanwhile, Beijing Metro obtained operating rights to new lines such as Hangzhou-Shaoxin Line and Shaoxing Metro Line 1 and promoted the projects of extension of existing lines and additional purchases.
- Beijing Metro Science and Technology Development Co., Ltd.\* (北京地鐵科技發展有限公司) (“Metro Science and Technology”), a joint venture of the Group, consolidated its main business of AFC operation and maintenance and advanced the application of an intelligent repair platform in the AFC operation and maintenance to improve informatisation level. Therefore, both its revenue and profit increased year on year in 2021.
- The registered users of “Yitongxing” APP developed by the Group’s joint venture exceeded 30 million. The ratio of passengers using its QR code increased to 55% of the total number of passengers passing gates in Beijing’s rail transit network. By 2021, functions such as Apple Pay, UnionPay, and Industrial and Commercial Bank of China (ICBC)’s digital currency were launched on the APP. A passenger hotline service centre was established at the metro network level, and QR code interconnection services between Beijing and Shanghai, Tianjin, and Guangzhou subways were made available. In addition, express projects were launched for some Beijing subway stations, alleviating queuing problems at the security check through online review methods and opening a new security check model.
- In addition, the Cornerstone Lianying Fund that the Group invested in is withdrawing from some projects, some of which brought in good returns.

## **BUSINESS PROSPECTS**

### **Steady Progress in an Industry Context**

Looking forward, China’s rail transit construction will continue its steady development in 2022. The China Rail Transit Network estimated that a total of 69 rail transit lines (sections) in 26 cities, including Hangzhou, Guangzhou, Fuzhou, Beijing, and Zhengzhou, would commence operation in 2022, with a total mileage of approximately 1,442.81 km and approximately 870 stations. At the same time, by 2025, the national railway operating mileage will reach approximately 170,000 km, of which high-speed railways (including intercity railways) will reach approximately 50,000 km. Railways and high-speed railways will basically cover cities with an urban population of more than 200,000 and 500,000, respectively. Railways will continue to grow steadily. In addition, several documents have clearly outlined proposals to promote the integrated construction of main line railways, intercity railways, and urban (suburban) railways, to coordinate all urban rail transit, and to build “one network” of operation management and services. During the “14th Five-Year Plan” period, 3,000 km of intercity and urban (suburban) railways are planned to be put into operation. The market size will gradually expand.

While the industry develops steadily, and the size of operating lines and amount of investment continue to remain huge, China will also continuously promote the building of smart urban rail. According to the national overall strategic goal plan, by 2025, China will initially build a new generation of intelligent urban rail transit, and become a country with a strong urban rail transit network; and by 2035, China will fully build a new generation of intelligent urban rail transit, becoming one of the powerhouses with a strong urban rail transit network and a trend setter in this respect. China will vigorously develop intelligent rail transit by promoting the in-depth integration of cloud computing, big data, Internet, artificial intelligence and other new technologies with the transportation industry. China will continue to advance the building of an integrated traffic big data centre system to learn about, connect with, and intelligently integrate information related to passengers, facilities, equipment, and the environment in order to strive for high-quality business development through technology.

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

### **Continued Optimisation of the Policy Environment**

In recent years, China has implemented a series of policies for high-end, precision and sophisticated industries with regard to rail transit, including the Outline of Building China into a Country with Strong Transportation Network, the Outline for Intelligent Urban Rail of China's Urban Rail Transportation, and National Comprehensive Three-dimensional Transportation Network Planning Outline, continuously optimizing the policy environment for intelligent railway transportation. According to proposals for the "14th Five-Year Plan", mainland China will continuously promote the intelligent urban rail construction is the key to China's urban rail transit development. Meanwhile, the National Comprehensive Three-dimensional Transportation Network Planning Outline provides that China will build a modern and high-quality national comprehensive three-dimensional transportation network by strengthening extensive applications of new technologies and will make the transportation network digitised, network-based, intelligent, and eco-friendly.

As the cradle of China's subway development, an important part of China's transportation system and a key area for its technological innovation, Beijing will carry out relevant national policies and new development ideas. According to Beijing's "14th Five Year Plan", China will expedite the building of an integrated rail transit network for coordinated development between rail transit and the city and strengthen subway network service capabilities for the enhancement, encryption, and optimisation of the central city line network. Beijing will build lines such as Lijin Line, CBD Line, the western section of Line 11, and the northern line of Line 19 to improve the intensity of rail transit lines in key areas as well as intelligent subways in Beijing. In addition, the White Paper on the Development of the Capital's Intelligent Subways elaborates on the connotation and characteristics of Beijing's intelligent subways, describes the development background and new era mission of the capital's intelligent

subways, develops the goals and design plans of the capital's new subway operation model in the new era, and leads the high-quality development path and phased tasks in the rail transit industry. The White Paper has built the indicator system, application scenarios, and guarantee system for the high-quality development of the capital's intelligent subways.

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

### **Focus • Expansion • Collaboration • Innovation**

The Group, an enterprise specialising in the field of rail transit, integrating investment and financing, technology R&D, and intelligent rail transportation construction, operation and maintenance, will focus on the strategy of “one body, one platform, and one centre”. Driven by technological innovation and management innovation, the Group will accelerate the digital and low-carbon transformation and upgrading, promote scientific and technological empowerment and high-quality development to ensure steady and sustained development.

#### ***The Group will make R&D innovation, upgrade its systems, and build a new pattern of coordinated development***

In the future, the Group will closely follow the trend of digital and intelligent rail transit development, build a pattern of “one institute, two businesses, multiple groups, and collaborative technology development”, promote inter-company collaboration in “R&D + innovation”, and enhance technological development capabilities. Meanwhile, the Group will improve its technology on scientific research, grasp the industry's cutting-edge technology direction, and boost independent research and development of core technologies. By building a scientific research operation model based on a combination of “governments, industry, academia, research institute and applications”, the Group is committed to providing local owners with a rail transit system solution throughout the lifecycle. To this end, the Group will continue to maintain a high standard of R&D investment in preparation for technological innovation.

#### ***With a focus on development and empowered control, it will set up a new specialised platform***

The Group will keep focusing on the development of network-level traffic control centres and line-level core systems of intelligent railway transportation. It will improve information systems integration and expand into the rail transit aftermarket such as operation and maintenance services, in order to gradually develop stable integrated technology and product solutions. The proportion of the Group's key self-developed products will be increased to optimise the income structure and further improve its gross margin. Meanwhile, the Group will focus on the businesses in key periods (informatisation and intelligentisation) of rail transit projects, during which it will mainly act as the controlling party and be a participator if needed. Targeted investment and merger and acquisition of outstanding companies will

help the Group increase its ability to operate businesses, extend the scope of businesses, and enhance the businesses to a higher level. It will set up an alliance of business ecosystem and team up with quality partners in technologies, products, scenarios, etc.. Furthermore, the Group will adopt empowered and differentiated management and control model to accurately match resources, so as to improve strategic matching and achieve coordinated development.

***The Group will seek regional coordination, make breakthroughs in key areas, and explore new markets in China and beyond***

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

***Continuous efforts will be made on pandemic prevention and control, and various measures will be taken to achieve stable development***

In 2022, the Group will maintain high standards of pandemic prevention and control and implement policies under the normalisation of pandemic prevention and control measures. Efforts will be made to overcome the adverse effects of the pandemic, clarify the plan to work on priorities and focus on market expansion. It will build quality projects that “promote transformation, increase functions and have long-term benefits”, and expand and strengthen its core primary businesses. With targeted investment, it will actively seek new growth opportunities to ensure stable and sustainable development. Meanwhile, the Group’s current asset-liability ratio is relatively reasonable and the cash on book remains sufficient. The pandemic will not affect the Group’s sustainability. Overall, the pandemic had limited impact on the Group’s operating performance.

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

## **FINANCIAL REVIEW**

### **Revenue**

The Group recorded revenue of approximately HK\$1,749.2 million in FY 2021, representing an increase of approximately HK\$199.2 million or 12.9% from FY 2020. Revenue from intelligent railway transportation services and infrastructure information accounted for approximately 86.7% and 13.3% of the total revenue, respectively.

The Group mainly operates its businesses in mainland China and Hong Kong, China. For FY 2021, the Group recorded revenue of approximately HK\$1,674.9 million in mainland China, representing an increase of approximately HK\$165.7 million as compared to FY 2020. The significant growth in revenue in mainland China was mainly attributed to the implementation and expansion of the Group's projects, such as Shaoxing Urban Rail Transit Line 1 Project, Beijing Rail Transit Line 11 Project and Project of integration and Procurement of Clearing Centre System for Foshan Rail Transit Line Network.

### **Cost of sales**

The Group's cost of sales was approximately HK\$1,101.7 million in FY 2021, representing an increase of approximately HK\$167.0 million or 17.9% from FY 2020. The increase in cost of sales was mainly due to the increase in the cost in line with the increased revenue.

### **Gross profit**

The Group's gross profit was approximately HK\$647.5 million in FY 2021, representing an increase of approximately HK\$32.3 million or 5.2% from FY 2020. The increase in gross profit was mainly due to a rise in its business volume.

### **Investment income**

The Group recorded an investment income of approximately HK\$56.7 million in FY 2021. Investment income increased as the Group's joint venture Beijing Metro has reached an income risk sharing and benefit sharing mechanism in connection to the operating income rights of Beijing Subway Airport Express and Floor 2-6 of Dongzhimen Terminal with Beijing Dongzhimen Airport Express Rail Co., Ltd, the transferor of such rights, which led to an increase in the net profit of Beijing Metro for FY 2021 and thus the Company has witnessed an increase in the investment income of Beijing Metro.



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

The Group's selling, general and administrative expenses were approximately HK\$288.0 million in FY 2021, representing an increase of approximately HK\$30.1 million or approximately 11.7% from FY 2020. One reason for the increase is that the Group's business grew during FY 2021 resulting in the increase in sale and administrative expenses. Another reason is that expenses for business trips dropped as online and remote working model was adopted due to the pandemic. Besides, the Group was granted exemption from social insurance contributions in the corresponding period of the previous year, but its expenses rebounded due to the resumption of operating activities and payment of social insurance premiums during FY 2021.

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

The profit attributable to equity shareholders of the Company was approximately HK\$187.5 million in FY 2021, representing a year-on-year increase of approximately 11.3%. Earnings per share were HK\$0.089, representing a year-on-year increase of 11.3%.

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

### ***Capital structure***

As at 31 December 2021, the Group's issued share capital consisted of 2,097,146,727 ordinary shares of HK\$0.01 each (FY 2020: 2,097,146,727 ordinary shares of HK\$0.01 each).

### ***Cash position***

As at 31 December 2021, the Group's cash on hand and in bank was approximately HK\$893.4 million (FY 2020: approximately HK\$983.8 million).

### ***Borrowings and pledged assets of the Group***

As at 31 December 2021, the Group's borrowings were approximately HK\$348.8 million (FY 2020: approximately HK\$571.4 million), of which HK\$300 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company, Beijing Infrastructure Investment Co., Ltd (北京市基礎設施投資有限公司), and the remaining was bank borrowings amounted to approximately HK\$48.8 million.

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

As at 31 December 2021, the Group had current assets of approximately HK\$2,833.7 million (31 December 2020: approximately HK\$2,828.9 million), while its current liabilities were approximately HK\$1,245.9 million (31 December 2020: approximately HK\$1,654.5 million), resulting in net current assets of approximately HK\$1,587.8 million (31 December 2020: approximately HK\$1,174.4 million). As at 31 December 2021, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.3 (31 December 2020: approximately 1.7).

Gearing ratio is calculated based on total debts at the end of a period divided by total assets at the end of such period multiplied by 100%. As at 31 December 2021, the Group's gearing ratio was 37.2% (31 December 2020: 40.6%).

## **Foreign exchange exposure**

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

## **Contingent liabilities**

As at 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group employed a total of 739 employees (including the Executive Directors) (31 December 2020: 892). The total staff costs, including Directors' remuneration, were approximately HK\$348 million (FY 2020: approximately HK\$304 million). The total staff costs in 2021 were higher than that of 2020 due to the continuous introduction of high-quality talents, the focus on quality over quantity, and the continuous optimisation of the personnel structure. In addition, due to the impact of the epidemic in FY 2020, there are special circumstances such as social security reductions and exemptions.

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

## **MATTERS SUBSEQUENT TO THE REPORTING PERIOD**

There were no other significant events arising subsequent to FY 2021 as at the date of this announcement.

## **AUDIT COMMITTEE**

The Company established the Audit Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. On 30 December 2015, the Board adopted the revised written terms of reference which became effective on 1 January 2016. On 25 December 2018, the Board adopted the further revised written terms of reference which became effective on the same date. The written terms of reference of the Audit Committee were adopted in compliance with code provisions C.3.3 and C.3.7 (which have been re-numbered as code provisions D3.3 and D3.7 since 1 January 2022) of the Corporate Governance Code contained in Appendix 14 of the Listing Rules.

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

The Audit Committee held four meetings during FY 2021 to, among others, review the interim and annual financial results and reports of the Group and significant issues on financial reporting, operational and compliance controls. The Audit Committee also reviewed the effectiveness of the Group's risk management and internal control systems, internal audit function and compliance procedures, and considered matters regarding appointment of external auditors, relevant scope of works and connected transactions and arrangements for employees to raise concerns about possible improprieties.

As at 31 December 2021, the Audit Committee consists of three independent non-executive Directors, namely Mr. Luo Zhenbang *CPA* (chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

## **REVIEW OF FINANCIAL STATEMENTS**

The Audit Committee has reviewed the Group's annual results for 2021 financial year and recommended to the Board for approval.

## **KPMG'S SCOPE OF WORK ON THIS ANNUAL RESULTS ANNOUNCEMENT**

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this annual results announcement have been agreed by the Company's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by KPMG in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by the auditor.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE**

The Company has adopted the Corporate Governance Code as its code of corporate governance. According to the Board of Directors, the Company has complied with the Corporate Governance Code for 2021 financial year.



## **FINAL DIVIDEND**

In view of the business growth of the Group and in response to the long term support of the shareholders of the Company, the Board recommended the declaration of a final dividend of HK\$0.027 per share for 2021 financial year (FY 2020: HK\$0.025 per share). The proposed final dividend will be payable to shareholders of the Company whose names appear on the register of members of the Company on Monday, 6 June 2022, subject to the approval of the shareholders of the Company at the 2022 annual general meeting (“**2022 AGM**”). It is expected that the final dividend will be paid on or before Wednesday, 31 August 2022.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the 2022 AGM to be held on Thursday, 26 May 2022, the register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2022 AGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 20 May 2022 (Hong Kong time).

For determining the entitlement to the proposed final dividend (subject to the approval by the shareholders of the Company at the 2022 AGM), the register of members of the Company will be closed from Thursday, 2 June 2022 to Monday, 6 June 2022 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 1 June 2022 (Hong Kong time).

## **ANNUAL GENERAL MEETING**

The 2022 AGM will be held on Thursday, 26 May 2022. Shareholders of the Company should refer to details regarding the 2022 AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

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

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

## RESIGNATION OF NON-EXECUTIVE DIRECTOR

The Board announces that with effect from 29 March 2022, Ms. Gu Xiaohui (“Ms. Gu”) has resigned as a non-executive Director as she would like to devote more time on her other commitments.

Ms. Gu has confirmed that she has no disagreement with the Board and that she was not aware of other matters that need to be brought to the attention of the shareholders of the Company in connection with her resignation. The Board would like to express its sincere gratitude to Ms. Gu for her valuable contribution to the Company during her tenure of office.

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

Hong Kong, 29 March 2022

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

\* For identification purposes only.