京投軌道交通科技控股有限公司
BII Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1522)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of BII Railway Transportation Technology Holdings Company Limited (the "**Company**") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023 (the "**Period**"), together with comparative figures for the six months ended 30 June 2022.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the six months ended 30 June 2023
(Expressed in Hong Kong dollars)

	Note	Six months ended 30 June 2023 HK$'000 (unaudited)	Six months ended 30 June 2022 HK$'000 (unaudited)
Revenue	*4*	**473,188**	573,857
Cost of sales		**(284,813)**	(386,997)
Gross profit		**188,375**	186,860
Other income		**13,995**	13,521
Selling, general and administrative expenses		**(110,231)**	(118,334)
(Impairment loss)/reversal of impairment loss on trade and other receivables and contract assets		**(3,214)**	3,130
Research and development expenses		**(88,865)**	(76,997)
Profit from operations		**60**	8,180
Finance costs	*5(a)*	**(5,293)**	(5,248)
Share of results of joint ventures and associates		**9,016**	21,113
Fair value change on other financial assets		**(336)**	1,955
Fair value change on contingent considerations		**–**	1
Profit before taxation	*5*	**3,447**	26,001
Income tax	*6*	**(815)**	2,022
Profit for the period		**2,632**	28,023
Attributable to:			
Equity shareholders of the Company		**5,081**	32,552
Non-controlling interests		**(2,449)**	(4,529)
Profit for the period		**2,632**	28,023
Earnings per share			
Basic and diluted (HK$)	*7*	**0.0024**	0.0155

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the six months ended 30 June 2023
(Expressed in Hong Kong dollars)

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Profit for the period	**2,632**	28,023
Other comprehensive expense for the period (after tax):		
Items that will not be reclassified to profit or loss:		
– Equity investments at fair value through other comprehensive income – net movement in fair value reserve (non-recycling)	**(4,884)**	–
– Share of other comprehensive expense of a joint venture	**(599)**	–
	(5,483)	–
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	**(74,169)**	(118,995)
Other comprehensive expense for the period	**(79,652)**	(118,995)
Total comprehensive expense for the period	**(77,020)**	(90,972)
Attributable to:		
Equity shareholders of the Company	**(71,539)**	(83,951)
Non-controlling interests	**(5,481)**	(7,021)
Total comprehensive expense for the period	**(77,020)**	(90,972)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 30 June 2023
(Expressed in Hong Kong dollars)

	Note	**At 30 June 2023 *HK$'000* (unaudited)**	At 31 December 2022 *HK$'000* (audited)
Non-current assets			
Property, plant and equipment		**200,169**	224,829
Intangible assets		**196,654**	208,605
Goodwill		**546,339**	563,880
Interests in joint ventures and associates		**410,693**	407,171
Other financial assets		**113,886**	122,736
Deferred tax assets		**37,868**	33,946
		1,505,609	1,561,167
Current assets			
Inventories and other contract costs		**478,628**	446,197
Contract assets	*8(a)*	**587,064**	611,803
Trade and other receivables	*9*	**938,549**	975,942
Cash on hand and in bank		**700,129**	808,651
		2,704,370	2,842,593
Current liabilities			
Trade and other payables	*10*	**1,061,640**	1,195,345
Contract liabilities	*8(b)*	**104,092**	39,702
Bank borrowings		**123,647**	83,930
Lease liabilities		**11,663**	17,640
Current taxation		**14,641**	33,404
Provision for warranties		**8,498**	8,461
		1,324,181	1,378,482
Net current assets		**1,380,189**	1,464,111
Total assets less current liabilities		**2,885,798**	3,025,278

	At **30 June 2023** *HK$'000* **(unaudited)**	At 31 December 2022 *HK$'000* (audited)
Non-current liabilities		
Other borrowing	**300,000**	300,000
Lease liabilities	**18,348**	22,218
Contingent considerations	**1,964**	2,027
Deferred tax liabilities	**41,225**	43,924
Deferred income	**325**	1,772
Provision for warranties	**5,689**	5,544
	367,551	375,485
NET ASSETS	**2,518,247**	2,649,793
CAPITAL AND RESERVES		
Share capital	**20,971**	20,971
Reserves	**2,426,379**	2,552,444
Total equity attributable to equity shareholders of the Company	**2,447,350**	2,573,415
Non-controlling interests	**70,897**	76,378
TOTAL EQUITY	**2,518,247**	2,649,793

NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION

(Expressed in Hong Kong dollars)

1 CORPORATION 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 interim financial information of the Company as at and for the six months ended 30 June 2023 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 (i) provides hardware and software products and services of high-speed railways, intercity railways, suburban railways and metro system; (ii) provides hardware and software products and services of intelligent railways transportation and intelligent operation and maintenance; (iii) provides information system services of civil communication transmission systems, utility tunnel areas and integrated transportation hubs; and (iv) investment in the railway transportation and infrastructure areas through investing in equity.

2 BASIS OF PREPARATION

This interim financial information has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, issued by the International Accounting Standards Board ("IASB"). It was authorised for issue on 29 August 2023.

The interim financial information has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

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

This interim financial information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2022 annual financial statements. The interim financial information 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").

3 CHANGES IN ACCOUNTING POLICIES

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

- Amendments to IAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates
- Amendments to IAS 12, Income Tax: Deferred Tax related to assets and liabilities arising from a single transaction
- Amendments to IAS 12, Income Tax: International Tax Reform-Pillar Two model Rules

None of these amendments 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 this interim financial information. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENTS 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	
	2023	**2022**
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Revenue from contracts with customers within the scope of IFRS 15 (re-presented)		
Disaggregated by major service lines		
– Revenue from intelligent passenger information services	**243,942**	241,821
– Revenue from data and integration services	**143,247**	249,557
– Revenue from intelligent infrastructure	**85,999**	82,479
	473,188	573,857
Disaggregated by geographical location of customers		
– Mainland China	**448,096**	542,396
– Hong Kong	**9,802**	16,945
– India	**15,290**	14,516
	473,188	573,857

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

(b) Segments 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 assessments.

In prior years, the Group identified three reportable segments. Starting from the current financial period, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments as the Group's most senior executive management consider that the revised reportable segments provide a better summary to them in reviewing the Group's operating performance and making decisions in resource allocation. Accordingly, the comparative figures of the reportable segments have been re-presented to conform with the current period's presentation. The Group now presents the following four reportable segments. No operating segments have been aggregated to form the following reportable segments:

– Intelligent passenger information services: this segment provides hardware and software products and services of high-speed railways, intercity railways, suburban railways and metro system.

– Data and integration services: this segment provides hardware and software products and services of intelligent railways transportation and intelligent operation and maintenance.

– Intelligent infrastructure: this segment provides information system services of civil communication transmission systems, utility tunnel areas and integrated transportation hubs.

– Business development investment: this segment manages the equity investments in railway transportation and infrastructure areas.

(i) Segments 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 2023 and 2022. The Group's other income and expense items, such as other income, selling, general and administrative expenses, impairment loss/reversal of impairment loss on trade and other receivables and contract assets, research and development expenses, finance costs, fair value change on other financial assets and fair value change on contingent considerations, 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 2023 and 2022 is set out below:

	Six months ended 30 June 2023				
	Intelligent passenger information services	**Data and integration services**	**Intelligent infrastructure**	**Business development investment**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**	**(unaudited)**	**(unaudited)**
Disaggregated by timing of revenue recognition					
Point in time	**233,930**	**94,260**	**4,741**	**–**	**332,931**
Over time	**10,012**	**48,987**	**81,258**	**–**	**140,257**
Revenue from external customers and reportable segments revenue	**243,942**	**143,247**	**85,999**	**–**	**473,188**
Reportable segments gross profit	**119,083**	**33,185**	**36,107**	**–**	**188,375**
Share of results of joint ventures and associates	**–**	**–**	**–**	**9,016**	**9,016**

	Six months ended 30 June 2022 (re-presented)				
	Intelligent passenger information services	Data and integration services	Intelligent infrastructure	Business development investment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Disaggregated by timing of revenue recognition					
Point in time	233,806	208,485	1,823	–	444,114
Over time	8,015	41,072	80,656	–	129,743
Revenue from external customers and reportable segments revenue	241,821	249,557	82,479	–	573,857
Reportable segments gross profit	113,421	33,400	40,039	–	186,860
Share of results of joint ventures and associates	–	–	–	21,113	21,113

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

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Reportable segments gross profit	**188,375**	186,860
Other income	**13,995**	13,521
Selling, general and administrative expenses	**(110,231)**	(118,334)
(Impairment loss)/reversal of impairment loss on trade and other receivables and contract assets	**(3,214)**	3,130
Research and development expenses	**(88,865)**	(76,997)
Finance costs	**(5,293)**	(5,248)
Share of results of joint ventures and associates	**9,016**	21,113
Fair value change on other financial assets	**(336)**	1,955
Fair value change on contingent considerations	**–**	1
Profit before taxation	**3,447**	26,001

5 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Interest on bank borrowings	**1,810**	858
Interest on borrowing from a related party	**2,594**	2,587
Interest on lease liabilities	**889**	1,803
	5,293	5,248

(b) **Other items:**

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Depreciation charge		
– owned property, plant and equipment	**17,673**	14,999
– right-of-use assets	**8,053**	9,030
Amortisation of intangible assets	**12,930**	11,532
Staff costs	**132,035**	130,120
Interest income	**(2,185)**	(3,328)
Government grants	**(11,162)**	(7,469)
Net foreign exchange gain	**(795)**	(2,279)
Net loss on disposal of property, plant and equipment	**22**	45

6 INCOME TAX

	Six months ended 30 June	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Current taxation – Hong Kong Profits Tax:		
– Provision for the period *(Note (i))*	**489**	1,434
Current taxation – The People's Republic of China (the "PRC") Enterprise Income Tax ("EIT"):		
– Provision for the period *(Note (ii))*	**6,402**	826
– Withholding tax on dividend income *(Note (iii))*	**515**	–
	6,917	826
Deferred taxation:		
– Origination and reversal of temporary differences	**(6,591)**	(4,282)
	815	(2,022)

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 2023 (six months ended 30 June 2022: 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 2022.

(ii) The subsidiaries of the Group established in the PRC are subject to the PRC EIT rate of 25% for the six months ended 30 June 2023 (six months ended 30 June 2022: 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.

(iii) Under the Law of the PRC EIT, 10% (six months ended 30 June 2022: 10%) withholding tax is levied on dividend from enterprises established in the PRC to foreign enterprises.

(iv) The Company and the subsidiaries of the Group incorporated in jurisdictions other than either the PRC, Hong Kong or India are not subject to any income tax, pursuant to the rules and regulations of their respective jurisdictions of incorporation.

(v) One subsidiary of the Group incorporated in the India is subject to income tax rate of 25% for the six months ended 30 June 2023, pursuant to the rules and regulations of the India (six months ended 30 June 2022: 25%).

7 BASIC AND DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2023 is based on the profit attributable to ordinary equity shareholders of the Company of HK$5,081,000 (six months ended 30 June 2022: HK$32,552,000) and the weighted average of 2,097,146,727 ordinary shares (2022: 2,097,146,727 ordinary shares) in issue during the interim period.

The Group has no dilutive ordinary shares outstanding for the six months ended 30 June 2023 and 2022. Therefore, there was no difference between basic and diluted earnings per share.

8 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	At 30 June 2023 *HK$'000* **(unaudited)**	At 31 December 2022 *HK$'000* (audited)
Contract assets		
Arising from performance under contracts with customers	**633,243**	659,749
Less: loss allowance	**(46,179)**	(47,946)
	587,064	611,803

(b) Contract liabilities

	At 30 June 2023 *HK$'000* **(unaudited)**	At 31 December 2022 *HK$'000* (audited)
Contract liabilities		
Service contracts		
– billings in advance of performance	**104,092**	39,702

9 TRADE AND OTHER RECEIVABLES

	At 30 June 2023 HK$'000 (unaudited)	At 31 December 2022 HK$'000 (audited)
Trade receivables	**688,060**	626,676
Bills receivable	**163,061**	282,301
	851,121	908,977
Less: loss allowance	**(40,740)**	(39,184)
Trade and bills receivables, net of loss allowance *(Note)*	**810,381**	869,793
Prepayments, deposits and other receivables	**105,990**	88,071
Less: loss allowance	**(280)**	–
	105,710	88,071
Value-added tax recoverable	**22,458**	18,078
	938,549	975,942

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

Note:

Ageing analysis

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

	At 30 June 2023 HK$'000 (unaudited)	At 31 December 2022 HK$'000 (audited)
Within 1 year	**609,571**	706,353
Over 1 year	**200,810**	163,440
	810,381	869,793

All trade receivables are due for payment upon issuance of demand note and all bills receivables are with a maturity period of less than one year.

10 TRADE AND OTHER PAYABLES

	At 30 June 2023 HK$'000 (unaudited)	At 31 December 2022 HK$'000 (audited)
Trade payables	**683,773**	799,369
Bills payable	**122,516**	116,250
Trade and bills payables *(Note)*	**806,289**	915,619
Accrued expenses and other payables	**105,729**	126,555
Consideration payable for acquisition of non-controlling interests	**–**	45,561
Consideration payable for acquisition of a subsidiary	**81,086**	83,689
Dividend payable	**54,526**	–
Other taxes payables	**14,010**	23,921
	1,061,640	1,195,345

All of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

Note:

Ageing analysis

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

	At 30 June 2023 HK$'000 (unaudited)	At 31 December 2022 HK$'000 (audited)
Due within 1 month or on demand	**735,056**	847,843
Due after 1 month but within 6 months	**71,233**	58,427
Due after 6 months but within 1 year	**–**	9,349
	806,289	915,619

11 DIVIDENDS

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

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: 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	
	2023	2022
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Final dividend in respect of the previous financial year, approved during the following interim period, of HK$2.6 cents (six months ended 30 June 2022: HK$2.7 cents) per ordinary share	**54,526**	56,623

12 EVENTS AFTER THE REPORTING PERIOD

On 8 August 2023, Suzhou Huaqi Intelligent Technology Co., Ltd. ("**Huaqi Intelligent**") 蘇州華啟智能科技有限公司, a non-wholly owned subsidiary of the Company, entered into a capital injection agreement with, among others, Suzhou Rail Transit Group Co., Ltd. ("**Suzhou Rail Transit**") (蘇州市軌道交通集團有限公司), pursuant to which Suzhou Rail Transit agreed to a capital injection of RMB100,000,000 (equivalent to approximately HK$109,000,000) into Huaqi Intelligent in return for approximately 7.35% of the enlarged equity interest in Huaqi Intelligent. Accordingly, the Group's effective equity interests in Huaqi Intelligent will be diluted from 98.7% to approximately 91.44%.

MANAGEMENT DISCUSSION AND ANALYSIS

MARKET AND BUSINESS ENVIRONMENT

Since the beginning of 2023, the investment in the construction of rail transit in Mainland China has increased, and the passenger flow has rebounded from a decline. In terms of investment amount, the fixed-asset railway investment in Mainland China amounted to approximately RMB304.9 billion in the first half of 2023, representing a year-on-year growth of approximately 6.9%, according to the data from China State Railway Group (中國鐵路集團). In terms of new mileage, the mileage of new urban rail transit lines was approximately 236.55 kilometres in the first half of 2023, representing a year-on-year decrease of approximately 35%, according to the data of China Association of Metros. With regards to the passenger flow, Mainland China's railway served approximately 1.69 billion passenger trips in the first half of 2023, representing a year-on-year increase of approximately 123.0%, and the total number of passenger trips made via Beijing's rail transit network, which is highly relevant to the Group's businesses, amounted to approximately 1.62 billion. The average daily passenger volume reached approximately 8.964 million trips, representing a year-on-year increase of approximately 48.9%.

The Group's business activities are highly relevant to the development of the rail transit industry. On the whole, although the investments and passenger flows in the rail transit industry increased in the first half of 2023, the market demand related to the Group's core businesses failed to increase significantly in the short term because the examination and approval of construction plans for urban rail transit projects in the early stages were conducted with great prudence and at the same time there was certain lag in the transmission of the industry chain. Meanwhile, in recent years, in order to enhance the efficiency of operation and management, the major customers of the Group, including original equipment manufacturers (OEMs) and owners of metro railways in various cities, have increasingly demanded for cost reduction and efficiency enhancement in procurement, which, to a certain extent, has caused a reduction in the profit margin of the Group. In addition, as the procurement behaviour and scale of the Group's customers are highly correlated with governmental policies, the difficulty for the Group to acquire new projects increased during the first half of 2023 due to the dual impact of policy uncertainty and intensified competition.

BUSINESS REVIEW

Overview

In the face of a relatively complex operating environment, the Group endeavoured to develop domestic and overseas markets and accelerated the construction and delivery of projects in the first half of the year. However, due to the cyclicality of the project acceptance, the scale of project delivery during the reporting period decreased year-on-year. The Group recorded revenue of approximately HK$473.2 million in the first half of 2023, representing a year-on-year decrease of approximately 17.5%. Gross profit margin was approximately 39.8%, representing a year-on-year increase of 7.2 percentage points. Profit attributable to equity shareholders of the Group amounted to approximately HK$5.1 million, representing a year-on-year decrease of approximately 84.4%.

To proactively address shifts in the internal and external environment, cater to market trends, and meet customer demands, as well as further enhance its strategic development advantages, the Group has taken proactive measures to refine its plans and restructure its organisational framework during the Period. In particular, with the aim of bolstering the professional and refined development of the business, the Group sub-divided its original intelligent railway transportation segment into the intelligent passenger information services business and data and integration services business. Meanwhile, the Group grasped the strategic opportunity to execute infrastructure intelligent transformation, and integrated certain intelligent businesses based on the original infrastructure information segment, to upgrade them into the intelligent infrastructure business segment. Furthermore, by further strengthening the internal resources integration of the R&D and innovation platforms as well as capital operation platforms, the Group has established a "3+2" business structure, comprising three major business segments and two dedicated platforms. The new strategic structure continues the stability of the original segmented business lines and facilitates the synergy effect among business divisions, thus promoting each business segment to enhance its own resilience and deepen its high-quality development.

In the first half of the year, the Group was committed to its market strategy of "relying on Beijing and Hong Kong, stepping up its presence nationwide, and exploring international markets". The Group has successfully entered into the Meishan market and other regions in Mainland China, and entered the Tel Aviv market in Israel. It has expanded its business footprint to a total of 54 cities in Mainland China and 24 cities in 15 overseas countries and regions. The Group has signed more than 100 new contracts and bid-winning projects worth approximately RMB550 million, of which the projects in Beijing were valued at approximately RMB250 million, accounting for approximately 45% of the total value of such projects. As at 30 June 2023, the Group's orders on hand amounted to an equivalent of approximately HK$2.34 billion, representing a decrease of approximately 8.6% as compared to the end of 2022.

FINANCIAL REVIEW

Overview

For the six months ended 30 June 2023, the Group recorded revenue of approximately HK$473.2 million, representing a year-on-year decrease of approximately 17.5%, and gross profit of approximately HK$188.4 million, representing a year-on-year increase of approximately 0.8%; selling, general and administrative expenses amounted to approximately HK$110.2 million, representing a year-on-year decrease of approximately 6.8%; R&D expenses amounted to approximately HK$88.9 million, representing a year-on-year increase of approximately 15.4%; net cash outflow from operating activities was approximately HK$50.1 million, representing a year-on-year decrease of approximately HK$170.9 million. As at 30 June 2023, the Group's gearing ratio was approximately 40.2%.

Revenue

Following the adjustment of organisational structure, the Group's revenue was mainly derived from three core businesses including the intelligent passenger information services business, the data and integration services business and the intelligent infrastructure business, the revenue of which for the first half of 2023 was approximately HK$243.9 million, HK$143.3 million and HK$86.0 million, respectively.

Revenue derived from the intelligent passenger information services business for the Period was approximately HK$243.9 million, representing an increase of approximately HK$2.1 million or approximately 0.9% as compared with the same period of last year, which remained stable as compared with the same period last year.

Revenue derived from the data and integration services business for the Period was approximately HK$143.3 million, representing a decrease of approximately HK$106.3 million as compared with the same period of last year. The decrease in revenue was mainly due to the fact that there were fewer projects at the time of revenue recognition during the first half of 2023, as compared with the same period last year when the Group's Shaoxing Metro Line 1 project was mostly delivered and accepted.

Revenue derived from the intelligent infrastructure business for the Period was approximately HK$86.0 million, representing an increase of approximately HK$3.5 million or approximately 4.3% as compared with the same period last year. The increase in revenue was mainly due to the continued development of the civil communication transmission business.

Geographically, the Group's revenue for the first half of 2023 was mainly derived from its businesses in Mainland China, which was approximately HK$448.1 million, representing a decrease of approximately HK$94.3 million or approximately 17.4% as compared with the same period last year. This was mainly due to the delivery and acceptance of the Shaoxing Metro Line 1 project, which had a significant impact on revenue, during the same period last year. The Group's revenue from the Hong Kong market during the Period was approximately HK$9.8 million, representing a decrease of HK$7.1 million or approximately 42.2% as compared with the same period last year, which was primarily due to the fact that there were fewer projects at the time of revenue recognition during the Period. Meanwhile, the Group has recorded revenue of approximately HK$15.3 million in the Indian market, which remained stable as compared to approximately HK$14.5 million in the same period last year, which was primarily attributable to the recognition of revenue from projects, including Mumbai Lines 2 & 7 and Pune Metro Line 3 during the Period.

Cost of sales

The cost of sales incurred by the Group during the Period was approximately HK$284.8 million, representing a decrease of approximately HK$102.2 million or approximately 26.4% as compared with the same period last year, which was primarily due to the corresponding decrease in costs as a result of the decline in the scale of project delivery during the Period.

Gross profit

The Group achieved gross profit of approximately HK$188.4 million for the Period, representing an increase of approximately HK$1.5 million or approximately 0.8% as compared with the same period last year. The slight increase was primarily due to the fact that during the first half of 2022, the Shaoxing Metro Line 1 project in the data and integration services business, which generates higher revenue, was mostly completed, which resulted in a decrease in the corresponding revenue during the Period. However, such project had a lower gross profit margin, resulting in a lower overall gross profit margin in the first half of 2022 and a higher gross profit margin during the Period.

Selling, general and administrative expenses

Selling, general and administrative expenses incurred by the Group during the Period amounted to approximately HK$110.2 million, representing a decrease of approximately HK$8.1 million or approximately 6.8% as compared with the same period last year, which was primarily due to the exchange rate fluctuations during the Period.

R&D expenses

R&D expenses incurred by the Group during the first half of 2023 amounted to approximately HK$88.9 million, representing an increase of approximately HK$11.9 million or approximately 15.4% as compared with the same period last year. The increase was primarily due to the fact that the Group focused on the independent R&D of core technologies and the transformation of innovation achievements, and continuously consolidated its strength in scientific research and technology and increased its investment in R&D technology.

Share of results of joint ventures and associates

In the first half of 2023, the Group realised share of results of joint ventures and associates of approximately HK$9.0 million, representing a decrease of approximately 57.3% as compared with the same period last year. The decrease was primarily due to the year-on-year decrease in the share of results of Beijing Metro Co., Ltd.* (北京京城地鐵有限公司) ("**Beijing Metro**").

Profit attributable to equity shareholders of the Company

Profit attributable to equity shareholders of the Group during the Period amounted to approximately HK$5.1 million, representing a decrease of approximately HK$27.5 million or approximately 84.4% as compared with the same period last year.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 June 2023, 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 2022: 2,097,146,727 ordinary shares of HK$0.01 per ordinary share).

Cash position

As at 30 June 2023, the Group's cash on hand and in bank was approximately HK$700.1 million (as at 31 December 2022: approximately HK$808.7 million).

Bank and other borrowings and pledged assets of the Group

As at 30 June 2023, the Group's borrowings were approximately HK$423.6 million, of which HK$300 million was derived from the borrowing from a subsidiary of the Company's ultimate holding company (the "**Lender**"), and the remaining was bank borrowings of approximately HK$123.6 million (as at 31 December 2022: approximately HK$83.9 million).

In respect of the Group's other borrowing of HK$300 million, as at 30 June 2023, the rights and interests in 60% of the issued share capital of Great Legend Development Limited ("**Great Legend**"), a wholly-owned subsidiary of the Group, held by the Company were charged in favour of the Lender. As disclosed in the announcement of the Company dated 18 August 2023 in relation to an early partial repayment of a loan (the "**Early Partial Repayment Announcement**"), the Company shall repay the principal of HK$45 million of the loan, and the corresponding interest, by 31 August 2023 and complete the relevant procedures for the release of share charge over 9% of the issued share capital of Great Legend within 30 business days of such early partial repayment. The remaining share charge in favour of the Lender shall be 51% of the issued share capital of Great Legend. As the supplemental agreement disclosed in the Early Partial Repayment Announcement (i) did not alter the expiry of the term of the Remaining Loan (as defined in the Early Partial Repayment Announcement); and (ii) the corresponding early partial repayment was insignificant in size, such supplemental agreement did not constitute a material variation to the terms of the Loan Extension Agreement (as defined in the Early Partial Repayment Announcement). The Company is of the view that such early partial repayment could reduce the interest costs and improve the gearing ratio of the Group. Save as disclosed above, the Group did not have any assets pledged as at 30 June 2023 (as at 31 December 2022: 60% of the issued share capital in Great Legend were charged in favour of the Lender).

Working capital and gearing ratio

As at 30 June 2023, the Group had current assets of approximately HK$2,704.4 million (as at 31 December 2022: approximately HK$2,842.6 million), while its current liabilities were approximately HK$1,324.2 million (as at 31 December 2022: approximately HK$1,378.5 million), resulting in net current assets of approximately HK$1,380.2 million (as at 31 December 2022: approximately HK$1,464.1 million). As at 30 June 2023, the current ratio, calculated based on current assets divided by current liabilities, was approximately 2.0 (as at 31 December 2022: approximately 2.1).

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 2023, the Group's gearing ratio was approximately 40.2% (as at 31 December 2022: approximately 39.8%).

Cash flow

During the Period, the Group's net cash outflow from operating activities was approximately HK$50.1 million, representing a decrease of approximately HK$170.9 million as compared with the same period last year, which was primarily due to the increase in repayment during the Period, as compared with the same period of last year when some projects were delayed in delivery due to the impact of the COVID-19 pandemic, resulting in sluggish repayment.

Contingent liabilities

As at 30 June 2023, the Group had no material contingent liabilities (as at 31 December 2022: nil).

BUSINESS ANALYSIS BY SEGMENT

In the first half of 2023, the Group upheld its established strategy and adopted a "business-oriented, innovation-driven and efficient management" approach to optimise its organisational structure, promote the integration of business resources, and create a "3+2" business structure. It focused on the three core businesses related to intelligent passenger information services business, data and integration services business and intelligent infrastructure business, and implemented a series of measures to continuously enhance its market competitiveness and service levels.

Intelligent Passenger Information Services Business

The intelligent passenger information services business provides hardware and software products and services in high-speed railways, intercity railways, suburban railways, metro system and other fields. Its main products include integrated passenger information system ("**PIS**"), intelligent passenger services, intelligent operation and maintenance services of passenger information and other products and solutions.

In the first half of 2023, the Group's intelligent passenger information services business recorded revenue of approximately HK$243.9 million, representing an increase of approximately HK$2.1 million or approximately 0.9% as compared with the same period last year, and gross profit of approximately HK$119.1 million, representing a year-on-year increase of approximately 5%.

In the first half of 2023, the Group continued to step up its presence in Mainland China and consolidate its business advantages. It won new orders in Shenzhen, Guangzhou, Changsha and other markets, and made new breakthroughs in overseas market expansion. The Group signed contracts for more than 60 projects worth a total of approximately RMB320 million during the Period. The key projects mainly included the important contracts newly signed in respect of the CRRC Sifang Plant's Smart EMUs PIS System and the spare parts for the High-speed Rail PIS System, amounting to approximately RMB61.673 million, which is the result of the Group's long-term cultivation of the high-speed rail market. The newly signed contract for the on-board PIS of Shenzhen Metro Line 13 was valued at approximately RMB22.64 million, marking the Group's continuous efforts to consolidate the business market in Shenzhen. The signing of the CAF Israel Purple Line Light Rail Project, with a contract value of approximately RMB6.06 million, represented another breakthrough in cooperation with international vehicle manufacturers. This further expanded our international market business channels.

Data and Integration Services Business

The data and integration services business positions itself as a player in the rail transit operation market, providing software and hardware products and services such as solutions like automatic fare collection ("**AFC**") and intelligent rail (TCC and big data centre), communication integration, and intelligent operation and maintenance management system based on the business areas of intelligent rail transportation, intelligent operation and maintenance and intelligent operation.

In the first half of 2023, the Group's data and integration services business recorded revenue of approximately HK$143.3 million, representing a decrease of approximately HK$106.3 million as compared with the same period last year. The year-on-year decrease in revenue was primarily due to the fact that there were fewer projects at the time of revenue recognition during the Period. Gross profit fell by approximately 0.6% year-on-year to approximately HK$33.2 million during the Period.

In the first half of 2023, the Group signed contracts for more than 20 projects worth approximately RMB180 million regarding its data and integration services business based on the implementation of its existing market projects. Among them, biddings were won and contracts were signed for the Beijing Rail Transit AFC Technology Renovation Phase II Project and the Beijing MTR Safety Management Platform Project. The Group actively followed up on the centralised procurement project for engineering communication, office automation and guidance system of Beijing Metro Line 28. It was eventually made public as the first bid-winning candidate. The project was valued at approximately RMB110 million, which will bring stable revenue to the Group in the future. In terms of markets beyond Beijing, in active response to the needs of property owners, the Group secured the operation and maintenance project of Wuhan Metro's asset system and the Zhengzhou Metro Line 17 Line Centre Project, among others.

Intelligent Infrastructure Business

The intelligent infrastructure business focuses on the investment and operation of civil communication transmission systems for Beijing's rail transportation. At the same time, leveraging big data, artificial intelligence technology and others, the segment provides customers with "Intelligent+" services in relation to, among others, intelligent construction sites, intelligent parks, intelligent hubs, intelligent utility tunnels and intelligent micro-centres.

In the first half of 2023, the Group's intelligent infrastructure business recorded revenue of approximately HK$86.0 million, representing an increase of approximately HK$3.5 million or approximately 4.3% as compared with the same period last year, and gross profit of approximately HK$36.1 million, representing a year-on-year decrease of approximately 9.8%, which was primarily due to the increase in first-half operation and maintenance costs and depreciation charges for new lines added to the civil telecommunication business.

In terms of civil communication business, constant efforts were made to strengthen its business foundation. On the one hand, the Group commenced the construction of supporting facilities and 4G transmission systems for civil communication for a total of 30 stations of Beijing Subway Lines 12 and 17. It assisted in the implementation of Beijing's rail transit construction plan, which fulfilled its social responsibility. On the other hand, as set out in the Group's Utility Tunnels Empowered by 5G Multi-Network Integration solution, by utilising the multi-network integration of 5G and the Internet of Things, the Group solved problems like high construction cost and maintenance difficulty in small utility tunnel network, marking the innovative application of small utility tunnels, for which it won three awards at the Zhongguancun International Advanced Technology Innovation Competition.

As for "Intelligent +" business, the Group established joint ventures with high-quality enterprises in the field of intelligent hub construction, gathered advantageous resources, leveraged competitive advantages, and jointly explored the application in integrated transportation hub scenarios, laying a foundation for the future expansion of market orders.

Investments and Joint Venture Cooperation

In the first half of 2023, the Group adhered to the investment strategy based on informationisation and intelligentisation, developed the investment aim of strengthening the principal businesses and developing new intelligent businesses, and conducted in-depth analysis on potential investment projects, with the goal of perfecting the industrial layout and strengthening the industrial ecosystem. From the perspective of its overall development strategy, the Group, with the development goal of optimising post-investment management and strengthening the industrial ecosystem, focused on the strategic decision-making, team building, management style and products and services of the investees, promoted the systematic empowerment for the investees, strengthened their post-investment management, and built an empowerment-based post-investment management model, so as to achieve its business synergy and capital appreciation.

Differentiated management was conducted on the companies the Group holds shares in or controls, and resources were optimised and integrated to maximise synergy effect.

- 蘇州華啟智能科技有限公司 (Suzhou Huaqi Intelligent Technology Co., Ltd.*) ("**Huaqi Intelligent**"), a non-wholly-owned subsidiary of the Company, introduced an external strategic investor, 蘇州市軌道交通集團有限公司 (Suzhou Rail Transit Group Co., Ltd.*) ("**Suzhou Rail Transit**"), by way of capital increase and increase in registered capital, through which Suzhou Rail Transit injected RMB100 million in return for approximately 7.35% of the enlarged equity interest in Huaqi Intelligent. Such introduction of strategic investor will enhance the comprehensive competitiveness of Huaqi Intelligent, strengthen the foundation for the growth of its results, and further expand the business development potential of Huaqi Intelligent;

- During the reporting period, Beijing Metro, the Group's joint venture, made significant progress in various projects. Beijing Metro actively pursued the reconstruction and expansion of the vehicle section of the Beijing Metro Airport Line, as well as additional vehicle purchases and factory repairs projects. Furthermore, Beijing Metro focused on consolidating its existing business operations while actively seeking opportunities to operate new lines beyond Beijing. Currently, Beijing Metro has successfully obtained the operation rights for the Hangzhou-Shaoxing Line and Shaoxing Line 1. This achievement serves as a crucial foundation for ensuring sustainable profitability in the future;

- In the first half of the year, Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司), the Group's joint venture, continued to develop its technology development business, including areas such as intelligent operation and maintenance and information security testing and evaluation services, which were built upon the foundation of consolidating its core business in AFC operation and maintenance as well as system integration. Therefore, the profitability of its technology development business continued to improve;

- The Yitongxing APP developed by Beijing Ruubypay Science and Technology Co.,Ltd* (北京如易行科技有限公司) ("**Ruubypay**"), the Group's equity investment, has accumulated approximately 35.85 million registered users, an increase of approximately 5 million over the same period last year and its internet ticketing accounted for approximately 60.91% of the average daily traffic through the entire road network. In the first half of 2023, Ruubypay focused on further developing its rail transportation operation services. It successfully established extensive cooperation in the QR code payment service business and actively explored new avenues for growth in the metro commercial operations;

- Youdao Technology Co., Ltd* (友道科技有限公司), in which the Group has equity investment, strengthened its customer relationship via the "integration of research, production and sales" (研產銷一體化), connected the upstream and downstream resources of enterprise education in the transportation industry, and proactively promoted in-depth cooperation with colleges and universities. The Company will further strengthen its efforts on contests and the conversion of products from contests in the future;

- 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)) that the Group invested in has entered an exit period. Some projects have been withdrawn in an orderly manner and achieved investment returns. Meanwhile, through participating in the investment in Beijing Cornerstone Huiying Venture Capital Investment Centre (Limited Liability Partnership)* (北京基石慧盈創業投資中心(有限合夥)), the Group cast a close eye on the core segment of rail transit to select and incubate high-quality firms, in order to enhance profitability.

R&D and Innovation

The Group is committed to create an integrated and innovative overall solution for intelligent railway transportation and Intelligent+ products, and a high-tech strategic formulation highland for the industry. By focusing on cloud computing + big data technology as the core and guided by intelligent railway transportation and Intelligent+ application scenarios, the Group conducted product R&D around intelligent passenger information services, intelligent operation and maintenance, intelligent operation, intelligent micro-centres, and security assurance, stimulated its innovation vitality, accumulated momentum for future development and supported the completion of its strategic goals.

In the first half of 2023, the Group adhered to the established strategy of "R&D + innovation", focused on the independent R&D of core technologies and the transformation of innovation achievements, and continuously solidified its scientific research and technological strengths. The Group's investment in R&D amounted to approximately HK$88.9 million, representing a year-on-year increase of approximately 15.4%, which remained at a high level. In terms of project research, the Group actively promoted the R&D of 25 scientific research projects. It participated in and promoted the construction of the Intelligent Urban Rail Next-Generation Intelligent Train Operation System and Platform Demonstration Project (智慧城軌新一代智能列車運行系統及平台示範工程), conducted the R&D of two core platforms in demonstration projects, developed the Industrial Internet-based infrastructure platform and vehicle platform, and pushed forward with the application of cloud technology in the industry. In respect of self-developed products, nine self-developed products, including the unified data access platform, unified data sharing service platform, cloud integrated management platform and intelligent park platform V2.0, were put into use in the first half of 2023. The Group continued to promote platform-level applications to further enhance its market competitiveness. In terms of patents and awards, 11 new patents and 12 new software copyrights were obtained in the first half of 2023, which further enhanced the quantity and quality of independent intellectual property rights and demonstrated the Group's strength as a technology enterprise. In the meantime, the Group's subsidiaries were granted a number of important awards in the first half of 2023, including 2023 Achievements in Equipment Management and Technological Innovation in the Transportation Industry (2023交通行業設備管理與技術創新成果) and Cloud-Native Excellent Security Practices (雲原生安全優秀實踐), which laid a solid foundation for its future quality improvement and innovative development.

BUSINESS PROSPECTS

Under the complex and volatile external environment, restoring and expanding demand remains the key to consolidating the foundation of China's economic recovery. Major projects can serve as a significant catalyst for promoting the positive growth of the rail transportation industry, which has recently shown promising signs of expansion. In terms of industry scale, the approved mileage outlined in the construction plans of Beijing, Shenzhen, Changsha, and other cities totalled more than 400 kilometres, surpassing the approved mileage of approximately 330 kilometres for the whole year of 2022. This indicates that there will be future regional opportunities in key cities with stringent overall planning and approval processes. At the same time, the recovery of rail transportation passenger flow also shows that the future steady development of the industry is still supported by solid demand. From the perspective of industry structure, after the peak of the previous construction period, mechanical and electrical equipment will enter an overhaul or replacement cycle. The emphasis will be gradually placed on both construction and operation instead of merely construction. The after sales market, which mainly focuses on repair and maintenance and upgrading, is expected to take up an increasingly large market share. In terms of technology trends, the development of the rail transit industry towards intelligentisation and decarbonisation will gradually become a consensus. At the same time, passengers will pay more attention to safe, comfortable, convenient travelling experience. In accordance with front-end needs, digital transformation will become an important driving force to promote the upgrading and development of the industry. Various types of intelligent rail transportation products that are deeply integrated with cloud computing, big data and other technologies, will gradually have larger market share.

Moving forward, the Group will proactively adapt to industry trends, deeply understand customers' needs, align with technological advancements, optimise and upgrade strategic initiatives promptly, seize strategic opportunities in specific areas, foster the development of niche business segments such as intelligent passenger information services, data and integration services, and intelligent infrastructure. This will be done by implementing the "3+2" business structure, ensuring precise investment of resources in terms of market, capital, and manpower, with the aim of building a professional brand. In terms of key projects, the Group will cater to the specific requirements of its customers and ensure on-time delivery of major projects to guarantee prompt revenue collection. In terms of market expansion, the Group will intensify its efforts in expanding the market, refine market development strategies, further integrate market resources, and expedite the implementation of innovative businesses such as intelligent passenger information services, leveraging the advantages of the Group's platform. As far as investment control is concerned, the Group will perform differentiated management and drive its investees to get on the core track to achieve specialised development, and strengthen the oversight of finance, compliance, audit and other matters to enhance the Group's overall operational effectiveness. From the perspective of R&D and innovation, the Group will actively integrate the R&D capabilities of each professional division and vigorously facilitate the R&D of innovative products. It will also team up with property owners to carry out a pilot application scheme to further consolidate its technology leadership in the field of intelligent rail transportation.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group had 729 employees (as at 30 June 2022: 723).

In the first half of 2023, total staff costs (including directors' remuneration) were approximately HK$131.0 million (six months ended 30 June 2022: HK$130.0 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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: nil). The Group will retain cash to fund its continued business development and future investment opportunities.

INVESTMENT PROJECT DURING THE FIRST HALF OF 2023

Reference is made to the announcement of the Company dated 7 June 2023 in relation to the formation of a joint venture (the "**Joint Venture Announcement**"). On 7 June 2023, 京投眾甫科技有限公司 (BII Zhongfu Technology Company Ltd*) ("**BII Zhongfu**"), a wholly-owned subsidiary of the Company, entered into the Joint Venture Agreement (as defined in the Joint Venture Announcement) with 北京智慧城市網絡有限公司 (Beijing Smart City Network Co., Ltd.*) ("**Beijing Smart City**") and 北明軟件有限公司 (Beiming Software Co., Ltd.*) ("**Beiming Software**") in relation to the formation of the Joint Venture Company (as defined in the Joint Venture Announcement). Pursuant to the Joint Venture Agreement, BII Zhongfu, Beijing Smart City and Beiming Software shall make capital injections of RMB6.4 million (equivalent to approximately HK$7.1 million), RMB7.6 million (equivalent to approximately HK$8.4 million) and RMB6 million (equivalent to approximately HK$6.7 million), respectively, in the Joint Venture Company, in proportion to their respective equity holding in the Joint Venture Company, representing 32%, 38% and 30% of the registered capital of the Joint Venture Company, respectively. Please refer to the Joint Venture Announcement for details.

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 2023, the carrying amounts of Beijing Metro in the Group's consolidated financial statements by using equity method is approximately HK$264.7 million, accounting for approximately 6.3% of the Group's total assets as at 30 June 2023. In the first half of 2023, the Group's share of the profit of Beijing Metro was approximately HK$5.3 million. The Company received approximately HK$2.7 million dividends in respect of dividends declared in 2020 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 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made with all the Directors and employees to whom the Securities Dealing Code applies. The Directors have confirmed that they have complied with the Securities Dealing Code and Model Code throughout the six months ended 30 June 2023. 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 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

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

As at 30 June 2023, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang (Chairman of the Audit Committee), Mr. Huang Lixin and Mr. Li Wei.

REVIEW OF INTERIM FINANCIAL INFORMATION

The interim financial report is unaudited, but has been reviewed by Baker Tilly Hong Kong Limited, 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 2023 and had discussed with the management of the Company and Baker Tilly Hong Kong Limited, 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 2023.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Reference is made to the announcement of the Company dated 8 August 2023 in relation to the deemed disposal of equity interests of a subsidiary of the Company (the "**Deemed Disposal Announcement**"). On 8 August 2023, (i) Huaqi Intelligent, a non-wholly owned subsidiary of the Company; (ii) 京投軌道科技發展有限公司 (BII Railway Technology Development Holdings Company Limited*), a wholly-owned subsidiary of the Company; (iii) BII Zhongfu, a wholly-owned subsidiary of the Company; (iv) 蘇州田玥企業管理合夥企業（有限合夥）(Suzhou Tianyue Enterprise Management Partnership (Limited Partnership)*) ("**Suzhou Tianyue**"), a limited partnership established in the PRC, which (a) no equity holder controls, directly or indirectly, one-third or more; and (b) among the diverse equity holder base of over 40 equity holders which (save for Mr. Zhong Hua (鐘華)) comprise independent third parties. Mr. Zhong Hua (鐘華), a director of Huaqi Intelligent, was the general partner and the single largest equity holder who held approximately 31.9% of Suzhou Tianyue as at the date of the Deemed Disposal Announcement; and (v) Suzhou Rail Transit, an independent third party, entered into the Capital Injection Agreement (as defined in the Deemed Disposal Announcement) in relation to the Capital Increase (as defined in the Deemed Disposal Announcement) and the Capital Injection (as defined in the Deemed Disposal Announcement). Pursuant to the Capital Injection Agreement, Suzhou Rail Transit conditionally agreed to inject the Capital Injection of RMB100 million (equivalent to approximately HK$109 million) into Huaqi Intelligent in return for approximately 7.35% of the enlarged equity interest in Huaqi Intelligent. Please refer to the Deemed Disposal Announcement and note 12 to the notes to the unaudited interim financial information in this announcement for details.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Company (www.biitt.cn) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2023 interim report of the Company will be despatched to shareholders of the Company and will be available on the above websites in due course.

By Order of the Board
BII Railway Transportation Technology Holdings Company Limited
Liu Yu
Executive Director
Chief Executive Officer

Hong Kong, 29 August 2023

As at the date of this announcement, the executive Director is Mr. Liu Yu; the non-executive Directors are Mr. Guan Jifa, Ms. Sun Fang, Mr. Cao Mingda and Ms. Hou Weiwei; and the independent non-executive Directors are Mr. Luo Zhenbang, Mr. Huang Lixin and Mr. Li Wei.

* *For identification purposes only*