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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 2017

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 2017.

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 2017 (“2017 financial year”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*For the year ended 31 December 2017 (Expressed in Hong Kong dollars (“HK\$”))*

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Revenue	4	564,587	479,309
Cost of sales		<u>(451,301)</u>	<u>(375,324)</u>
Gross profit	4(b)	113,286	103,985
Other income		12,308	3,563
Selling, general and administrative expenses		<u>(85,500)</u>	<u>(77,751)</u>
Profit from operations		40,094	29,797
Share of profits of joint ventures and an associate		<u>11,482</u>	<u>128</u>
Profit before taxation	5	51,576	29,925
Income tax	6	<u>(6,336)</u>	<u>(1,531)</u>
Profit for the year		<u>45,240</u>	<u>28,394</u>
Attributable to:			
Equity shareholders of the Company		38,554	25,728
Non-controlling interests		<u>6,686</u>	<u>2,666</u>
Profit for the year		<u>45,240</u>	<u>28,394</u>
Earnings per share			
– Basic (HK\$)	7(a)	<u>0.018</u>	<u>0.017</u>
– Diluted (HK\$)	7(b)	<u>0.018</u>	<u>0.017</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017 (Expressed in HK\$)

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit for the year	45,240	28,394
Other comprehensive income for the year (after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements into presentation currency	<u>54,388</u>	<u>(50,326)</u>
Total comprehensive income for the year	<u>99,628</u>	<u>(21,932)</u>
Attributable to:		
Equity shareholders of the Company	91,423	(23,358)
Non-controlling interests	<u>8,205</u>	<u>1,426</u>
Total comprehensive income for the year	<u>99,628</u>	<u>(21,932)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2017 (Expressed in HK\$)

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		120,112	134,529
Intangible assets		125,375	125,771
Goodwill		65,397	61,113
Interests in joint ventures and an associate		394,828	312,570
Deferred tax assets		25,411	20,288
		731,123	654,271
		731,123	654,271
Current assets			
Available-for-sale debt investments		116,760	128,564
Inventories		78,581	69,021
Trade and other receivables	8	657,783	524,610
Cash and cash equivalents		1,128,780	1,118,431
		1,981,904	1,840,626
		1,981,904	1,840,626
Current liabilities			
Trade and other payables	9	437,580	317,908
Current taxation		37,230	36,205
		474,810	354,113
		474,810	354,113
Net current assets		1,507,094	1,486,513
Total assets less current liabilities		2,238,217	2,140,784
Non-current liabilities			
Deferred tax liabilities		24,108	24,257
		24,108	24,257
NET ASSETS		2,214,109	2,116,527
CAPITAL AND RESERVES			
Share capital	10	21,048	21,062
Reserves		2,173,028	2,083,637
		2,194,076	2,104,699
Total equity attributable to equity shareholders of the Company		2,194,076	2,104,699
Non-controlling interests		20,033	11,828
TOTAL EQUITY		2,214,109	2,116,527

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in HK\$ unless otherwise indicated)

1 CORPORATE INFORMATION

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 2017 comprise the Group. The principal activities of the Group are the design, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the services of civil communication transmission systems for use in public transportation systems to telecommunication companies, and the investment in new business in the railway transportation areas through investing in joint ventures and associates.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial information for the year ended 31 December 2017 (the “Financial Information”) set out in this announcement are extracted from the Group’s audited consolidated financial statements for the year ended 31 December 2017 (the “Financial Statements”).

The 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 new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 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 and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2017 comprise the Group and the Group’s interests in joint ventures and an associate.

The measurement basis used in the preparation of the financial statements is the historical cost basis except for available-for-sale debt investments which are stated at their fair values.

The 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 Financial Statements for the year ended 31 December 2017. The Financial Information and notes thereon do not include all of the information required for full set of the Financial Statements prepared in accordance with IFRSs.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group. None of these impact on the accounting policies of the Group.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, the services of civil communication transmission systems for use in public transportation systems to telecommunication companies, and the investment in new business in the railway transportation areas through investing in joint ventures and associates.

Revenue represents contract revenue from the provision of design, implementation and sale of application solution services, contract revenue from the provision of maintenance of application solution services, and contract revenue from civil communication transmission services. The amount of each significant category of revenue recognised during the year is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Revenue from the provision of design, implementation and sale of application solution services	393,547	315,252
Revenue from the provision of maintenance of application solution services	56,524	52,854
Revenue from intelligent railway transportation services	450,071	368,106
Revenue from civil communication transmission services	114,516	111,203
	564,587	479,309

For the year ended 31 December 2017, revenues from transactions with one customer (2016: three customers) has exceeded 10% of the Group's revenue. Revenue from this customer amounted to HK\$111,442,000 for the year ended 31 December 2017 (2016: HK\$190,381,000).

Further details regarding the Group's principal activities are discussed below.

(b) Segment reporting

The Group manages its businesses by business lines. In view of the continuous integration of the design, implementation and sale, and maintenance of application solutions for the networking and controlling systems of public transport and other companies, the management of the Group considered it has been increasingly difficult to present these activities separately and decided to change the way in how information is to be reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment. For the year ended 31 December 2017, the two operating segments, namely "System integration" and "Maintenance" as previously reported for the year ended 31 December 2016 have been combined into one operating segment, namely "Intelligent railway transportation", and the operating segments namely "Rental income" as previously reported for the year ended 31 December 2016 has been changed to "Civil communication transmission". Furthermore, the Group expanded the investment in railway transportation areas through the interests in joint ventures and an associate, and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has decided to add "Business development investment" as a separate reportable segment. As a result, 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, implementation and sale, and maintenance of application solution services, which includes related software, hardware and spare parts.
- Civil communication transmission: this segment provides civil communication transmission services.
- Business development investment: this segment manages the equity investments in railway transportation areas.

Comparative figures have been adjusted to conform to the current year's segments presentation.

(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 expenses 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 2017 and 2016. The Group's other income and expense items, such as other income, selling, general and administrative expenses, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure and interest income is presented.

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 2017 and 2016 is set out below.

	2017			Total HK\$'000
	Intelligent railway transportation HK\$'000	Civil communication transmission HK\$'000	Business development investment HK\$'000	
Revenue from external customers and reportable segment revenue	<u>450,071</u>	<u>114,516</u>	<u>–</u>	<u>564,587</u>
Reportable segment gross profit	<u>83,882</u>	<u>29,404</u>	<u>–</u>	<u>113,286</u>
Share of profits of joint ventures and an associate	<u>–</u>	<u>–</u>	<u>11,482</u>	<u>11,482</u>
	2016			Total HK\$'000
	Intelligent railway transportation HK\$'000	Civil communication transmission HK\$'000	Business development investment HK\$'000	
Revenue from external customers and reportable segment revenue	<u>368,106</u>	<u>111,203</u>	<u>–</u>	<u>479,309</u>
Reportable segment gross profit	<u>57,598</u>	<u>46,387</u>	<u>–</u>	<u>103,985</u>
Share of profits of joint ventures	<u>–</u>	<u>–</u>	<u>128</u>	<u>128</u>

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

	2017 HK\$'000	2016 HK\$'000
Reportable segment gross profit	124,768	104,113
Other income	12,308	3,563
Selling, general and administrative expenses	<u>(85,500)</u>	<u>(77,751)</u>
Profit before taxation	<u>51,576</u>	<u>29,925</u>

(iii) *Geographic information*

The following table sets out information about the geographical location of the Group's revenue from external customers.

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Mainland China	529,744	431,157
Hong Kong	34,843	48,152
	<hr/>	<hr/>
The People's Republic of China (the "PRC") (place of domicile)	564,587	479,309
	<hr/>	<hr/>

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

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) **Staff costs**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Salaries, wages and other benefits	91,016	70,223
Contributions to defined retirement plans	9,394	6,621
Equity-settled share-based payment expenses	563	3,931
	<hr/>	<hr/>
	100,973	80,775
	<hr/>	<hr/>

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 20% 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.

(b) Other items

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Cost of inventories	230,540	194,256
Auditor's remuneration:		
– statutory audit services	3,237	2,917
– other services	622	725
Depreciation and amortisation	42,263	36,095
Operating lease charges in respect of office premises	8,426	8,328
	<u>8,426</u>	<u>8,328</u>

6 INCOME TAX

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current taxation:		
– Hong Kong Profits Tax	1,504	807
– PRC Corporate Income Tax	10,431	12,045
	<u>11,935</u>	<u>12,852</u>
Deferred taxation:		
– Origination and reversal of temporary differences	(5,599)	(11,321)
	<u>6,336</u>	<u>1,531</u>

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Profit before taxation	51,576	29,925
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned (Notes (i), (ii) and (iii))	13,872	8,852
Tax effect of non-deductible expenses	1,913	1,734
Tax effect of share of profits of joint ventures and an associate	(1,633)	(21)
Tax concessions (Note (iv))	(7,816)	(9,034)
Income tax	<u>6,336</u>	<u>1,531</u>

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 2017 (2016: 16.5%).

- (ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) 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 2017 (2016: 25%).
- (iv) The 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 three years ending 31 December 2017 or 31 December 2018. In addition to the preferential PRC Corporate Income Tax rate, these subsidiaries are also entitled to an additional deductible tax allowance calculated at 50% of the qualified research and development costs incurred by these subsidiaries.

7 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2017 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$38,554,000 (2016: HK\$25,728,000) and the weighted average of 2,106,540,000 ordinary shares (2016: 1,540,269,000 ordinary shares) in issue during the year, calculated as follows:

	2017 '000	2016 '000
Issued ordinary shares at 1 January	2,106,155	1,423,321
Effect of issuance of shares	–	107,853
Effect of shares issued under share option scheme (<i>Note 10(b)(ii)</i>)	2,904	9,095
Effect of shares repurchased (<i>Note 10(b)(iii)</i>)	(2,519)	–
	<u>2,106,540</u>	<u>1,540,269</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2017 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$38,554,000 (2016: HK\$25,728,000) and the weighted average number of ordinary shares (diluted) of 2,107,444,000 (2016: 1,547,780,000 ordinary shares (diluted)), calculated as follows:

	2017 '000	2016 '000
Weighted average number of ordinary shares at 31 December	2,106,540	1,540,269
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	904	7,511
	<u>2,107,444</u>	<u>1,547,780</u>

8 TRADE AND OTHER RECEIVABLES

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables due from:	8(a), (b), (d)		
– third parties		252,660	246,746
– the ultimate holding company of the Company		170	27
– an affiliate of an equity shareholder of the Company		89,383	86,326
– an affiliate of an equity non-controlling equity holder of a subsidiary of the Group		21,893	20,605
Bills receivable		<u>6,241</u>	–
		<u>370,347</u>	<u>353,704</u>
Gross amount due from customers for contract work:	8(c)		
– third parties		186,056	122,178
– an affiliate of an equity shareholder of the Company		57,439	14,606
– an affiliate of an equity non-controlling equity holder of a subsidiary of the Group		<u>11,168</u>	<u>4,485</u>
		<u>254,663</u>	<u>141,269</u>
Amounts due from related parties:	8(e)		
– equity shareholders of the Company and their affiliates		220	186
– the ultimate holding company of the Company		–	84
– a joint venture		1,374	–
– an equity holder of the non-controlling equity holder of a subsidiary of the Group		<u>957</u>	–
		<u>2,551</u>	<u>270</u>
Prepayments, deposits and other receivables		<u>30,222</u>	<u>29,367</u>
		<u>657,783</u>	<u>524,610</u>

Except for HK\$130,000 (2016: Nil), all of the trade and other receivables are expected to be settled or recognised as expenses within one year.

(a) Ageing analysis

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within 1 month	72,437	119,628
More than 1 month but less than 3 months	27,972	10,161
More than 3 months but less than 6 months	37,776	7,367
More than 6 months	232,162	216,548
	<u>370,347</u>	<u>353,704</u>

(b) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current	12,751	25,371
Less than 1 month past due	66,106	112,824
1 to 3 months past due	27,972	10,161
3 to 6 months past due	37,776	7,367
More than 6 months past due	225,742	197,981
	<u>370,347</u>	<u>353,704</u>

Given the nature of the Group's business, except for progress billings and retention receivables under credit terms granted, all receivables are considered past due once billings have been made by the Group and the customers have not settled the billings within the credit terms granted, where applicable.

Receivables that were past due but not impaired relate to customers that have a good credit record. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

(c) Project contracts in progress

At 31 December 2017, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work, is HK\$991,330,000 (2016: HK\$657,237,000).

(d) Retention receivables

At 31 December 2017, included in trade receivables are retention receivables in respect of project contracts of HK\$6,420,000 (2016: HK\$18,567,000).

(e) 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

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables due to third parties		317,782	211,939
Bills payables		<u>23,816</u>	<u>21,354</u>
	9(a)	<u>341,598</u>	<u>233,293</u>
Amounts due to related parties:	9(b)		
– an affiliate of an equity shareholder of the Company		723	235
– a non-controlling equity holder of a subsidiary of the Group		<u>5,400</u>	<u>5,400</u>
		<u>6,123</u>	<u>5,635</u>
Accrued expenses and other payables		<u>29,631</u>	<u>15,275</u>
Financial liabilities measured at amortised cost		377,352	254,203
Other taxes payables		26,916	17,487
Receipts in advance from:			
– third parties		23,743	37,276
– an equity holder of the non-controlling equity holder of a subsidiary of the Group		<u>9,569</u>	<u>8,942</u>
		<u>437,580</u>	<u>317,908</u>

At 31 December 2017, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

(a) Ageing analysis

Included in trade and other payables are trade payables with the following ageing analysis, based on the maturity date, as of the end of the reporting period:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Due within 1 month or on demand	318,754	213,608
Due after 1 month but within 6 months	<u>22,844</u>	<u>19,685</u>
	<u>341,598</u>	<u>233,293</u>

(b) Amounts due to related parties

The amounts are unsecured and non-interest bearing. Except for an amount of HK\$5,400,000 at 31 December 2017 (2016: HK\$5,400,000) which is repayable within one year, all of the remaining balances have no fixed terms of repayment.

10 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

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

	2017 HK\$'000	2016 HK\$'000
Final dividend proposed after the end of the reporting period of HK\$0.01 per ordinary share (2016: Nil)	<u>21,048</u>	<u>–</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 period, approved during the current year.*

The Directors did not recommend a final dividend for the year ended 31 December 2016 (2015: Nil).

(b) Share capital

(i) *Authorised and issued share capital*

	2017		2016	
	<i>Number of shares</i>	<i>HK\$'000</i>	<i>Number of shares</i>	<i>HK\$'000</i>
Authorised:				
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>
Issued and fully paid:				
At 1 January	2,106,154,727	21,062	1,423,321,203	14,233
Issuance of shares	–	–	669,053,524	6,691
Shares issued under share option scheme (Note 10(b)(ii))	3,632,000	36	13,780,000	138
Cancellation of shares (Note 10(b)(iii))	<u>(5,000,000)</u>	<u>(50)</u>	<u>–</u>	<u>–</u>
At 31 December	<u>2,104,786,727</u>	<u>21,048</u>	<u>2,106,154,727</u>	<u>21,062</u>

(ii) *Shares issued under share option scheme*

During the year ended 31 December 2017, share options were exercised to subscribe for 3,632,000 ordinary shares in the Company at a consideration of HK\$3,239,000, of which HK\$36,000 was credited to share capital and the remaining balance of HK\$3,203,000 was credited to the share premium account. HK\$694,000 has been transferred from the capital reserve to the share premium account in accordance with the accounting policy.

(iii) *During the year ended 31 December 2017, the Company repurchased its own shares on the Stock Exchange as follows:*

Month/year	Number of shares repurchased	Highest price paid per share (Including service charge) <i>HK\$</i>	Lowest priced paid per share (Including service charge) <i>HK\$</i>	Aggregate price paid (Including service charge) <i>HK\$'000</i>
June 2017	2,168,000	1.20	1.16	2,574
July 2017	2,832,000	1.18	1.13	3,274
				5,848

The above repurchased shares of the Company were cancelled on 11 August 2017.

(iv) *Terms of unexpired and unexercised share options at the end of the reporting period*

Exercise period	Exercise price	At 31 December 2017 Number <i>'000</i>
31 December 2014 to 30 December 2018	HK\$1.080	2,428
31 December 2015 to 30 December 2018	HK\$1.080	6,210
31 December 2016 to 30 December 2018	HK\$1.080	4,362
5 December 2015 to 4 December 2019	HK\$2.690	3,180
5 December 2016 to 4 December 2019	HK\$2.690	7,950
5 December 2017 to 4 December 2019	HK\$2.690	4,770
		28,900

Each share option entitles the holder to subscribe for one ordinary share in the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the 2017 financial year, the Group's businesses mainly focused on three business segments: firstly, intelligent railway transportation services; secondly, civil communication transmission services; thirdly, business development investment. The respective descriptions of the three related business segments are set out as follows:

Intelligent Railway Transportation Services

Intelligent railway transportation services mainly represent, among others, design, testing, installation, debugging, integration, upgrading and replacement of railway transportation application solutions and associated systems; sale of self-developed software products relating to railway transportation application solutions; sales of hardware and spare parts relating to railway transportation application solution systems; repair and maintenance of application solution systems developed by the Group as well as other software developers. During the 2017 financial year, in addition to projects which have started to develop since the previous financial years, the Group's revenue from intelligent railway transportation was also derived from several new projects, which mainly include the Multiple Line Centre ("MLC") Project under the Phase II Technical Renovation Project of the Automatic Fare Collection System of Railway Transportation in Beijing ("Phase II Beijing Fare Renovation Project"), Rail Transit Ticket Processing Unit ("TPU"), Smart Card Renovation Project of Beijing-Tianjin-Hebei, the Surveillance Centre project and Auto Fare Collection Clearing Center ("ACC") System Renovation Project of Beijing Metro Network Administration Co., Ltd* (北京軌道交通路網管理有限公司) ("Beijing Metro Network").

Civil Communication Transmission Services

Civil communication transmission services mainly represent the provision of communication information transmission services to mobile operators. During 2017 financial year, the Group's revenue from the business of civil communication transmission services was mainly derived from the 2G, 3G and 4G transmission services of civil communication transmission systems set up in 180 stations of 17 subway lines of the Beijing Subway. The Group has successfully entered into 4G information transmission service agreements for the existing lines with Beijing Mobile Communication Company Limited ("Beijing Mobile") and China United Network Communications Group Company Limited, Beijing Branch ("Beijing Unicom") and successfully signed the 4G communication transmission service agreements for the new subway line, the Phase II Changping Line, with the above two telecommunication operators. In terms of new areas of development, by taking advantage of the highly secured and comprehensive coverage of the subway fiber optic, the Group has entered into information transmission service agreement with Beijing Information Infrastructure Construction Company Limited* (北京信息基礎設施建設股份有限公司) during 2017. Civil communication transmission services business will continue to bring continuous stable income to the Group in the future.

Business development investment

Business development investment mainly represents equity investment, new business development through investing in joint ventures and associates and the acquisition of investment income through equity participation. During 2017 financial year, the Group's revenue from business development investment was mainly derived from Beijing Metro Co., Ltd.* (北京京城地鐵有限公司) (“Beijing Metro”) and Beijing Metro Science and Technology Development Co., Ltd.* (北京地鐵科技發展有限公司) (“Metro Science and Technology”), both joint ventures. During this financial year, Beijing Metro completed the acquisition of the 30-year operating income right of the Beijing Subway Airport Express Line and floor two to six of Dongzhimen Terminal, and recorded a substantial increase in revenue as compared to the previous financial year while Metro Science and Technology also posted a significant increase in revenue as compared to the previous financial year due to the further development of business.

FINANCIAL REVIEW

Revenue

The Group recorded an increase in revenue by approximately 17.8% from approximately HK\$479.3 million for the financial year ended 31 December 2016 (“2016 financial year”) to approximately HK\$564.6 million for 2017 financial year. Such increase in revenue was mainly attributable to the inclusion of revenue from Phase II Beijing Fare Renovation Project, Surveillance Centre Project of Beijing Metro Network, ACC System Renovation project, Chengdu Subway Lines Coordination and Command Centre (“COCC”) Project, Beijing S1 Station Platform Door Project and Line No. 2 Platform Door Project.

Revenue derived from the provision of system integration and operation and maintenance of application solution services by intelligent railway transportation services recorded an increase of approximately 22.3%, from approximately HK\$368.1 million for 2016 financial year to approximately HK\$450.1 million for 2017 financial year. The increase was mainly due to the recognition of revenue in stage of certain projects under intelligent railway transportation services including recognition of revenue from Phase II Beijing Fare Renovation Project, Chengdu Subway COCC project, Beijing S1 Station Platform Door Project and Line No. 2 Platform Door Project.

Revenue arising from civil communication transmission services recorded an increase of approximately 3.0% from approximately HK\$111.2 million for 2016 financial year to approximately HK\$114.5 million for 2017 financial year. The increase was mainly due to the revenue derived from the provision of transmission services from the civil communication assets acquired by the Group in November 2016.

Cost of sales

The Group recorded an increase in cost of sales by approximately 20.3% from approximately HK\$375.3 million for 2016 financial year to approximately HK\$451.3 million for 2017 financial year. During the period under review, the Group generated its revenue mainly from the provision of intelligent railway transportation services and civil communication transmission services and costs of the two business segments were mainly related to equipment procurement cost, direct labour cost, maintenance cost and depreciation of civil communication equipment. The increase in cost of sales during the year was mainly due to the increase in the relevant cost of intelligent railway transportation services business which is in line with the increase in revenue, and the full-year recognition of the operating cost of the civil communication assets acquired in November 2016 during the 2017 financial year.

Gross profit

The Group recorded an increase in gross profit by approximately 8.9% from approximately HK\$104.0 million for 2016 financial year to approximately HK\$113.3 million for 2017 financial year. The increase in gross profit as compared to the corresponding period of 2016 was mainly due to increase in revenue.

Investment income

The Group recorded an increase in investment income of approximately HK\$11.4 million from approximately HK\$0.1 million for 2016 financial year to approximately HK\$11.5 million for 2017 financial year. The investment income was mainly derived from the joint ventures, namely Beijing Metro and Metro Science and Technology, and the increase in investment income as compared to the corresponding period of 2016 was mainly attributable to the fact that these two joint ventures were both established in February 2016 and underwent further development in 2017. Beijing Metro completed the acquisition of the 30-year operating income right of the Beijing Subway Airport Express Line and floor two to six of Dongzhimen Terminal during the year which brought significant increase in revenue in Beijing Metro, and Metro Science and Technology recorded a significant increase in revenue due to the further development of its businesses.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses increased by approximately 9.9% from approximately HK\$77.8 million for 2016 financial year to approximately HK\$85.5 million for 2017 financial year. Such increase was mainly due to the increase in labour cost.

Profit attributable to equity shareholders of the Company

The Company's profit attributable to equity shareholders of the Company increased by approximately 50.2% from approximately HK\$25.7 million for 2016 financial year to approximately HK\$38.6 million for 2017 financial year. Such increase was mainly due to the relevant increase in revenue and investment income as compared to the corresponding period of 2016.

Liquidity, financial and capital resources

Capital Structure

As at 31 December 2017, the Company's issued share capital consisted of 2,104,786,727 ordinary shares of HK\$0.01 each (31 December 2016: 2,106,154,727 ordinary shares of HK\$0.01 each).

Cash Position

As at 31 December 2017, the Group's cash and cash equivalents were approximately HK\$1,128.8 million (31 December 2016: approximately HK\$1,118.4 million).

Bank Borrowings and Charges on the Group's Assets

During 2017 financial year, the Group has no bank borrowings and charges on assets (2016: Nil).

Working Capital and Gearing Ratio

As at 31 December 2017, the Group had current assets of approximately HK\$1,981.9 million (31 December 2016: approximately HK\$1,840.6 million), while its current liabilities were approximately HK\$474.8 million (31 December 2016: approximately HK\$354.1 million), resulting in net current assets of approximately HK\$1,507.1 million (31 December 2016: approximately HK\$1,486.5 million). As at 31 December 2017, the current ratio, calculated based on current assets divided by current liabilities, was approximately 4.2 (31 December 2016: approximately 5.2).

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 2017, as the Group had no bank borrowings, long term debts or trade payables incurred not in the ordinary course of business and the gearing ratio was nil (31 December 2016: Nil).

Foreign Exchange Exposure

The Group has four main operating subsidiaries, one located in Hong Kong and the other three in Mainland China. All of the subsidiaries earn revenue and incur cost in their local currencies. The Directors consider that the impact of foreign exchange exposure of the Group is minimal.

Contingent Liabilities

As at 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total of 290 employees, including the executive Directors (31 December 2016: 297). The total staff costs, including Directors' remuneration, were approximately HK\$101.0 million (2016 financial year: HK\$80.8 million).

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

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS

Beijing Metro, a joint venture of the Company, is a new exploration of the Group to expand the operation and management business of city railway transportation network. Beijing Metro contributed a net profit of HK\$8.1 million to the Group during 2017 financial year, representing an increase of HK\$9.0 million as compared to a net loss of HK\$0.9 million during 2016 financial year, achieving a turnaround. Beijing Metro successfully acquired the 30-year operating income right of the Beijing Subway Airport Express Line and floor 2 to 6 of Dongzhimen Terminal in May 2017 and became the official operator of Beijing Subway Airport Express Line. In June 2017, the Company secured the Public-Private Partnership ("PPP") project of Line T2 of tramcar in Shunyi District, Beijing, by way of joint bid; in February 2018, the Company secured the PPP project of Line 4 of Dalian Metro. Beijing Metro is the subway operator jointly established by the Company and Beijing Mass Transit Railway Operation Company Limited* (北京市地鐵運營有限公司) ("Beijing MTR Operation"), which strives to enhance its comprehensive strength and market competitiveness through advanced technology and scientific management, aiming to become an outstanding domestic provider of metro operation and management with investment and financing capabilities.

Metro Science and Technology, a joint venture of the Company, represents a new attempt of the Group to expand the business of operation security, maintenance and repair management of city railway transportation. Metro Science and Technology contributed a net profit of HK\$6.4 million to the Group for 2017 financial year, representing an increase of HK\$5.4 million as compared to HK\$1.0 million for 2016 financial year, through active expansion of business and annual increase in overall income and level of profitability. Jointly established by China City Railway Transportation Technology Investment Company Limited (中國城市軌道交通科技投資有限公司), a subsidiary held as to 70% indirectly by the Company, and Beijing MTR Operation, Metro Science and Technology is a provider of Beijing subway operation security, maintenance and repair services.

Beijing Cornerstone Chuangying Investment Centre (Limited Liability Partnership)* (北京基石創盈投資中心(有限合夥)) (“Cornerstone Chuangying”), a joint venture of the Company, is a new experience for the Group to expand the business of city railway transportation internet ticketing service. The “Easy Pass” (易通行) Application (“APP”) introduced by Ruubypay Co., Ltd., which was invested by Cornerstone Chuangying, was put into trial operation in Beijing Subway Airport Express Line on 20 August 2017, where online ticket purchase and in-station ticket collection services were made available in four stations of the Airport Express Line. On 1 September 2017, the trial operation of online ticket purchase and in-station ticket collection services was extended to 20 subway stations with large passenger flow. On 20 September 2017, station entry and exit services with a QR code scan was on trial at Beijing Subway Airport Express Line. On 23 December 2017, online ticket purchase, in-station ticket collection services were made available at all subway lines, offering a brand-new experience of using internet ticket and convenient services to citizens and passengers. As of March 2018, the Easy Pass APP had been downloaded 6.29 million times with registered users reaching 1.5 million. Cornerstone Chuangying was established on 10 January 2017 as a private equity investment fund jointly set up by Beijing BII Technology Development Co., Ltd.* (北京京投卓越科技發展有限公司) (“BII Zhuoyue”), a subsidiary of the Company, ICBC Credit Suisse Investment Management Co., Ltd., Dr. Peng Telecom Media Group Co., Ltd., Shenzhen Ever-Rising Industrial Group Co., Ltd., Beijing Tonglingtong Telecom Technology Co., Ltd.* (北京通靈通電訊技術有限公司) and Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership)* (北京基石創盈投資管理中心(有限合夥)) with a total contribution of RMB201 million, among which, BII Zhuoyue (as a limited partner) contributed RMB50 million and owns approximately 24.88% of the partnership. The contribution of RMB50 million was fully paid up in February 2017. Cornerstone Chuangying focuses its investment in the field of urban intelligent transportation and internet services with a principal business scope in investment management and asset management.

Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Partnership)* (保定基石連盈創業投資基金中心(有限合夥)) (“Cornerstone Lianying”), a joint venture of the Company, is an incubator platform for the Group to develop the quality enterprises of city railway transportation-related businesses in the industries including information technology, energy-saving and environmental protection and advanced equipment manufacture. Cornerstone Lianying was established on 15 November 2017 as a private equity investment fund jointly set up by 14 limited partners and one general partner, including BII Zhuoyue and Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司) (“BII”) contributing a total of RMB313 million, among which, BII Zhuoyue (as a limited partner) contributed RMB25 million and owns approximately 7.99% of the partnership. The initial contribution of RMB10 million was paid in December 2017. Cornerstone Lianying is the third phase of “Cornerstone Fund”, the fund for railway transportation-related business, with an emphasis on railway transportation-related businesses. It focuses on the equity investment of growth enterprises in target industries including information technology, energy-saving and environmental protection and advanced equipment manufacture.

On 28 February 2018, BII Zhuoyue, a subsidiary of the Company, jointly established a joint venture, namely BII Xin An Technology Development Company Limited*(北京京投信安科技發展有限公司) (“BII Xin An”), with Zhuhai Tonghai Technology Holdings Company Limited* (珠海市同海科技股份有限公司) (“Tonghai Technology”), Beijing Tong Jian Tai Li Te Intelligence System Engineering Technology Company Limited*(北京通建泰利特智能系統工程技術有限公司) (“Tong Jian Tai Li Te”), with a registered capital of RMB10 million. BII Zhuoyue contributed RMB5.10 million with a shareholding of 51% while each of Tonghai Technology and Tong Jian Tai Li Te contributed RMB2.45 million with shareholding of 24.5% respectively. The establishment of BII Xin An will assist the Group in commencing information security and intelligent businesses, boosting the construction of intelligent railway transportation.

MATTERS SUBSEQUENT TO THE REPORTING PERIOD

As at the date of this announcement, other than the establishment of BII Xin An as disclosed in the paragraph “SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS” and the recommendation of declaring final dividend for the 2017 financial year as disclosed in paragraph “FINAL DIVIDEND” of this announcement, there was no other matter of significance subsequent to the reporting period.

BUSINESS PROSPECTS

In 2018, the Group will continue to gear up its efforts in research and development and enhance technological innovation. It will strive to provide professional technical support and services to the networking operation of railway transportation in Beijing. While achieving the target of standardising the application solution of the industry, the Group will firmly grasp the opportunity arising from the construction and development of city railway transportation with the goal of gradually establishing the industry layout of “Developing New Businesses through Joint Ventures and Associates While Giving Priority to Intelligent Railway Transportation Services and Civil Communication Transmission Services”. Anchored in Beijing and Hong Kong, the Company’s business will extend throughout the nation. Under the leadership of BII, the Group will also continue to sharpen its own core competitiveness, enhance its operation and management in a comprehensive manner and provide high-quality products and services to local and overseas city railway transportation operators. The Group will also continue to explore businesses in other provinces and cities and further develop its market and enlarge the Group’s customer base through well-developed businesses, experience and products.

With the continuous implementation of the “Intelligent City” strategy and the increasing importance of subway in the public transport sector, it has become an indispensable element of the subway value-added service to provide convenient and efficient communication services on city railway transportation devices to meet the diversified travel information demand of all passengers. In 2018, the Group will continue to speed up the investment and construction of the civil communication assets of the new lines of Beijing subway and further enlarge the business scope of civil subway communication. The Group will also pay attention to the technical development trend of the civil communication sector, including related technologies such as 4G, 5G and 5.8G. It will also study on the development model which matches the distinguishing features of subway and is in line with the development trend of mobile internet. In 2018, the Group will also kick start the related works on ethernet information network and the interconnection and integration of optical fiber network of lines under the management of

the Company, which will create the conditions for the leasing of civil communication optical fiber resources, carrying out of new businesses and the construction of network and pipeline platform at the later stage. The Group will actively develop new value-added information businesses, such as optimising existing optical fiber network and providing optical fiber transmission business; it will construct the 10G Ethernet of railway transportation to provide services for value-added railway transportation business.

The Group intends to expand its operation and management business of city railway transportation lines, maintain its maintenance and management business and internet ticketing service businesses through joint ventures and associates. By leveraging on the complementary advantages with cooperating partners, the Group creates favorable conditions for entering into the city railway transportation sub-segments which would facilitate the creation of new business growth points of the Group and lay a solid foundation for the construction of intelligent railway transportation. At the same time, the Group seizes the opportunity for the Company to explore, nurture and incubate quality projects which are still at the development stage through investing in Rail Transit Fund, which is beneficial to optimising its own business layout, thereby establishing a more comprehensive industry chain. In 2018, in addition to promoting the sound operation of the existing joint ventures and associates, the Group will also actively explore new market opportunities and new strategic business growth points from the perspective of overall strategic development. Focus will be put on the areas of railway transportation intelligent technology, civil communication, operation and maintenance aftermarket. The Group will also promote business expansion through joint ventures and associates, provide whole life-cycle solution for the construction of city railway transportation and establish a harmonious, safe and green travel environment of railway transportation. In the future, the Group will continue to actively develop new business in the railway transportation segment through investing in joint ventures and associates.

The Group will actively grasp market opportunities and continue to expand its business presence related to railway transportation. The Group will strive hard to develop into the leader and explorer of China's intelligent railway transportation to reward its shareholders and investors.

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 Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited (the "Listing Rules"). On 30 December 2015, the Board adopted the revised written terms of reference which became effective on 1 January 2016. The written terms of reference of the Audit Committee was adopted in compliance with code provisions C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "Corporate Governance Code").

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

As at 31 December 2017, 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 2017 financial year and recommended to the Board for approval. The auditor of the Company has agreed the figures regarding the Company's financial results for 2017 financial year and the related financial information listed in this announcement are consistent with the figures contained in the Company's audited consolidated financial statements for 2017 financial year.

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

The Company repurchased a total of 5,000,000 shares of the Company's listed securities during 2017 financial year as set out below:

Month	Number of securities repurchased	Repurchase price per share		Aggregate price paid (Including service charge) HK\$'000
		Highest (Including service charge) HK\$	Lowest (Including service charge) HK\$	
June	2,168,000	1.20	1.16	2,574
July	2,832,000	1.18	1.13	3,274
Total	5,000,000			5,848

The Directors considered that the share repurchases were in the interest of the Company and the shareholders of the Company as a whole. All repurchased shares were cancelled on 11 August 2017.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold nor redeemed any listed securities of the Company during 2017 financial year.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code as its code of the corporate governance. The Board considered that the Company has complied with the Corporate Governance Code for 2017 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\$0.01 per share for 2017 financial year (2016 financial year: Nil). The proposed final dividend will be payable to shareholders of the Company whose names appear on the register of members of the Company on Friday, 6 July 2018, subject to the approval of the shareholders of the Company at the 2018 annual general meeting ("AGM"). It is expected that the final dividend will be paid on or before Wednesday, 26 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2018 AGM to be held on Tuesday, 26 June 2018, the register of members of the Company will be closed from Thursday, 21 June 2018 to Tuesday, 26 June 2018, both dates 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 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 20 June 2018.

For determining the entitlement to the proposed final dividend (subject to the approval by the shareholders of the Company at the 2018 AGM), the register of members of the Company will be closed from Wednesday, 4 July 2018 to Friday, 6 July 2018, both dates 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 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 3 July 2018.

ANNUAL GENERAL MEETING

The 2018 AGM will be held on Tuesday, 26 June 2018. Shareholders of the Company should refer to details regarding the AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying therewith.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement has been published on the website of the Company at www.biitt.cn and the website of the Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2017 annual report of the Company will be despatched to the shareholders of the Company and published on the above websites in due course.

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

Hong Kong, 27 March 2018

As at the date of this announcement, the executive Directors are Mr. Cao Wei and Ms. Xuan Jing; the non-executive Directors are Mr. Guan Jifa, Mr. Hao Weiya, Mr. Zheng Yi and Mr. Ren Yuhang; and the independent non-executive Directors are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.

* *For identification purposes only.*