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 REPORT 2017

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Cao Wei *(Vice Chairman)*
 (appointed as Vice Chairman on 28 February 2017)
Ms. Xuan Jing *(Chief Executive Officer)*
 (appointed as Chief Executive Officer on 28 February 2017)

Non-Executive Directors

Mr. Guan Jifa *(Chairman)*
 (appointed as Chairman on 28 February 2017)
Mr. Hao Weiya
Mr. Ren Yuhang
 (appointed on 28 February 2017)
Mr. Zheng Yi
 (appointed on 25 August 2017)

Independent Non-Executive Directors

Mr. Bai Jinrong
Mr. Luo Zhenbang *(CPA)*
Mr. Huang Lixin

AUTHORISED REPRESENTATIVES PURSUANT TO RULE 3.05 OF THE LISTING RULES

Ms. Xuan Jing
 (appointed on 29 December 2017)
Ms. Siy Ling Lung
 (appointed on 17 October 2017)

COMPANY SECRETARY

Ms. Siy Ling Lung
 (appointed on 17 October 2017)

AUDIT COMMITTEE

Mr. Luo Zhenbang *(CPA) (Chairman)*
Mr. Bai Jinrong
Mr. Huang Lixin

REMUNERATION COMMITTEE

Mr. Bai Jinrong *(Chairman)*
Mr. Cao Wei
Mr. Huang Lixin

NOMINATION COMMITTEE

Mr. Guan Jifa *(Chairman)*
 (appointed as Chairman on 28 February 2017)
Mr. Bai Jinrong
Mr. Huang Lixin

AUDITORS

KPMG
Certified Public Accountants

LEGAL ADVISERS TO THE COMPANY

Chiu & Partners

PRINCIPAL BANKER

The Hongkong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 4407, 44/F, COSCO Tower
183 Queen's Road Central, Sheung Wan, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House – 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman, KY1-1110
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.biitt.cn

STOCK CODE

1522

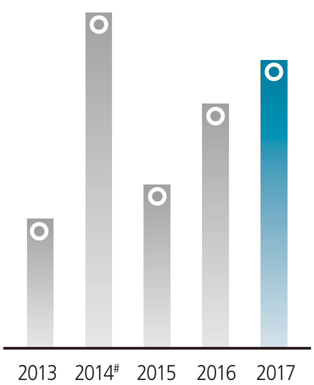
FINANCIAL HIGHLIGHTS

	For the year ended 31 December			For the eighteen months ended 31 December	For the year ended 30 June
	2017	2016	2015	2014	2013
Key profit or loss items (HK$ Thousand)					
Revenue	**564,587**	479,309	320,782	657,241	254,135
Gross profit	**113,286**	103,985	121,452	233,369	98,143
Profit attributable to equity shareholders of the Company	**38,554**	25,728	22,945	65,042	59,042

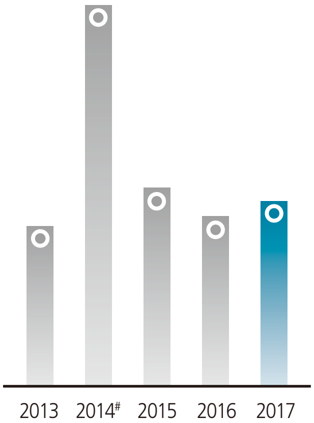
	As at 31 December				As at 30 June
	2017	2016	2015	2014	2013
Key statement of financial position items (HK$ Thousand)					
Non-current assets	**731,123**	654,271	315,212	261,007	133,303
Current assets	**1,981,904**	1,840,626	1,231,066	1,165,578	559,275
Total liabilities	**498,918**	378,370	324,776	426,999	203,226
Equity attributable to equity shareholders of the Company	**2,194,076**	2,104,699	1,211,100	985,621	483,255

Financial year	**2017**	2016	2015	2014	2013
Return to shareholders					
Earnings per share					
– Basic (HK$ cent)	**1.8**	1.7	1.7	6.0	7.4
– Diluted (HK$ cent)	**1.8**	1.7	1.7	5.9	7.3

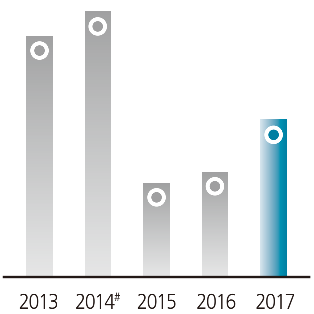
Revenue (HK$ Thousand)



Gross profit (HK$ Thousand)



Profit attributable to equity shareholders of the Company (HK$ Thousand)



For the eighteen months ended 31 December 2014

CHAIRMAN'S STATEMENT

Guan Jifa,
Chairman

On behalf of the board (the "Board") of directors (the "Directors") of BII Railway Transportation Technology Holdings Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (together referred to as the "Group") for the year ended 31 December 2017 ("FY 2017").

RESULTS

For FY 2017, the Group recorded revenue of approximately HK$564.6 million, representing an increase of approximately HK$85.3 million or 17.8% as compared to revenue of approximately HK$479.3 million for the year ended 31 December 2016 ("**FY 2016**"). For FY 2017, profit attributable to equity shareholders of the Company amounted to approximately HK$38.6 million, representing an increase of approximately HK$12.9 million or 50.2% as compared to approximately HK$25.7 million for FY 2016.

DIVIDENDS

The Board recommended payment of a dividend of HK$21,047,867.27 for FY 2017 (FY 2016: Nil) in consideration of the growth of results of the Group and as a reward for the long-term support of shareholders.

BUSINESS OVERVIEW

As at 31 December 2017, the total number of issued shares of the Company was 2,104,786,727 shares.

2017 is an important year for the implementation of the "13th Five-Year Plan" as well as a crucial year for the Group to grasp the chance to realise transformation and upgrade. Under the accurate guidance of the controlling shareholder Beijing Infrastructure Investment Co., Ltd.* (北京市基礎設施投資有限公司) ("**BII**"), the Group leveraged on the industrial layout of "one body-two wings, two-wheel drive" and overseas capital market, and meanwhile the Group firmly seised the development opportunities arising from railway transportation construction in Beijing and continuously optimised its business structure to steadily carry out various operational works. In 2017, besides consolidating its principal businesses, the Group also gradually transformed from "System Integration + Operational Maintenance" to "Giving Priority to Intelligent Railway Transportation Services and Civil Communication Transmission Services and Supplementing with New Business Development through Joint Ventures and Partnership" through analysing market dynamics. In addition, the Group embarked on expansion through taking a gradual approach of switching from "Anchoring in Beijing and Hong Kong" to "Anchoring in Beijing, Hong Kong and Radiating the Whole Country" and acquiring projects outside Beijing in Chengdu, Shenzhen and Changchun. The Group's core business, which involves the investment, financing, construction, operation and maintanence of urban rail transit construction, realises the business layout of providing the whole life-cycle service for the development of urban rail transit and is one of the platforms for BII to promote the development of railway transportation. Through giving full play to its industrial strengths and promoting the synergistic development of its subsidiaries, the Group continuously built up core competitive strength and created a positive development trend.

In August 2017, in order to better promote the development of the Company, bring the shareholders' effect into full play and facilitate the synergistic development of businesses, the Company officially changed its name from "China City Railway Transportation Technology Holdings Company Limited" to "BII Railway Transportation Technology Holdings Company Limited".

Intelligent Railway Transportation Services

As a Hong Kong-listed company which provides comprehensive application solutions as well as operation and maintanence services at both network-level and line-level, BII Transportation Technology (Beijing) Co., Ltd.* (北京京投億雅捷交通科技有限公司) ("**BII ERG**"), a subsidiary of the Company, acquired three projects, including the Multiple Line Centre ("**MLC**") Project under the Phase II Technical Renovation Project of the Automatic Fare Collection System ("**AFC**") of Railway Transportation in Beijing ("**Phase II Beijing Fare Renovation Project**"), with a total contract amount of approximately RMB120.0 million from April to June 2017. This is another MLC project that BII ERG secured from Beijing Subway Operation Co., Ltd ("**Beijing Subway Operation**"), Beijing MTR Corporation Limited (北京京港地鐵有限公司) ("**BJMTR**") after participating in Phase I MLC Project of Beijing Subway Operation in 2010, which strengthened the leading position of the Group in the MLC construction field.

In January 2017, BII ERG, as the leading party won the tender of the Surveillance Centre Construction Project of Phase II Beijing Fare 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**") by way of joint bid and entered into a contract in February, of which the contract amount is approximately RMB32.4 million; in December 2016, BII ERG won the tender of Auto Fare Collection Clearing Center ("**ACC**") System Renovation Project of Phase II Beijing Fare Renovation Project of Beijing Metro Network and entered into a contract with an effective period from 1 January 2017 to 1 January 2020 and a contract amount of approximately RMB48.0 million.

In January 2017, BII ERG won the tender of the operation and maintenance services for comprehensive platform and integrated system for integrated management and control project of Beijing Metro Network (2017-2019), and the bid price for three years amounted to approximately RMB16 million. In March 2017, BII ERG won the tender of Section I of the operation and maintenance services for production system project of Beijing Metro Network (2017-2019) (ACC application system operation and maintenance services), Section IV (ACC/TCC network mainframe/the building network operation and maintenance service), Section VI (Operation and Maintenance services for information centre system) and Section VII (Operation and maintenance services for test centre system) respectively, and the total bid price for three years amounted to approximately RMB110 million.

In accordance with the Phase II Beijing Fare Renovation Project and the project progress of the integration of Beijing, Tianjin and Hebei, BII ERG, as the sole supplier of Rail Transit Ticket Processing Unit ("**TPU**") during the period from May to July 2017, acquired the TPU Renovation Project of Phase II Beijing Fare Renovation Project. It also entered into several contracts with an aggregate contract amount of approximately RMB67.43 million. Such project creates favourable conditions for the opening of new lines of networks, adjustment of fare systems and types, conversion of fee rate, etc. BII ERG completed the production, testing and supply of TPU covering the whole network in 2017; at the same time, BII ERG self-developed enhanced TPU products with sole intellectual property rights, which as a key new and high technology transfer project under the development guiding fund of the new and high technology industry of Chaoyang District, Beijing ("**Guiding Fund**") received the support of Guiding Fund. Such developments marked another solid step of the Group in the research and development of products. In December 2017, BII ERG won the tender of Smart Card Renovation Project of the Transportation System in Beijing-Tianjin-Hebei of Phase II Beijing Fare Renovation Project of Beijing Metro Network by way of joint bid and entered into contracts with respect to Smart Card Renovation Project of Beijing-Tianjin-Hebei (Section I) and (Section II), of which, the total contract amount is approximately RMB100 million.

In 2017, in accordance with the business characteristics of the internet sales and two-dimensional code gate scanning of Beijing Subway network, BII ERG designed and developed the first system in China which audits, analyses and manages internet transaction records and fee deduction in subway – "Internet + Transaction Audit System". On 23 December 2017, it realised the functions of online ticket purchase and ticket collection throughout the whole network. In 2018, the two-dimensional code gate scanning function will be introduced to all stations and internet sales and traffic transaction volume will achieve exponential growth.

In July 2017, the Chengdu Coordination and Command Centre ("**COCC**") Project carried out by BII ERG was completed ahead of schedule. Having met the standards set out by the owner, the project has fulfilled the operational requirements and has commenced trial run. The new system can perform real-time monitoring on operational status such as the operational status of railway trains, information on passengers flow and the operational status of equipment and system. Such system realises comprehensive management and control of the whole Chengdu subway lines, thereby ensuring the safety of citizens and passengers and smooth travelling. In December 2017, the official "Chengdu Subway" Application ("**Chengdu Subway App**") as a new media platform developed by BII ERG for Chengdu Subway COCC Project was officially launched and the three functions of Chengdu Subway APP, namely repair of equipment, level of congestion and locations of railway trains, are completely new among the subway applications across the country.

BII Transit Systems (HK) Co., Ltd（京投交通科技（香港）有限公司）("**ERG (HK)**"), a subsidiary of the Company, has long been providing AFC system design, implementation and maintanence application solutions for several Hong Kong public transport companies, such as Mass Transit Railway Corporation Limited（香港鐵路有限公司）("**MTR**"), New World First Bus Services Limited（新世界第一巴士服務有限公司）("**New World Bus**") and Citybus Limited（城巴有限公司）("**Citybus**"). The project of replacing the AFC Ticket Checking Machines in the stations and platforms of Light Rail of MTR won by ERG (HK) in September 2016 will last till July 2019 and has a total contract amount of approximately HK$61.27 million. In addition, ERG (HK) further acquired a number of platform electric cable installation projects supplemental to the above project and with a total contract amount of approximately HK$6.88 million from April to August 2017. The AFC System replacement project of MTR shuttle buses won by ERG (HK) in November 2016 has a total contract amount of approximately HK$13.98 million and will be completed at the end of 2018 with one year of warranty period to be provided. In 2017, ERG (HK) also acquired projects of several companies, including New World Bus and Citybus in relation to the sales of equipment and software renovation with a total contract amount of approximately HK$7.72 million. Besides, ERG (HK) completed the AFC System renewal projects of New World Bus and Citybus in the first quarter of 2017 and will continue to provide system maintenance services in 2018.

Civil Communication Transmission Services

As at 31 December 2017, Beijing BII Zhuoyue 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, and as the investing unit of the civil communication transmission system of Beijing Subway, owned civil communication transmission system assets of 17 Beijing subway lines and 180 stations. BII Zhuoyue established and maintained close cooperation relationships with communication operators through providing transmission services.

In April 2017, BII Zhuoyue entered into an agreement on the civil communication 3G system transmission services of several lines of Beijing Subway with China United Network Communications Corporation, Beijing Branch (中國聯合網絡通信有限公司北京市分公司) ("**Beijing Unicom**"), which will expire on 31 December 2018. In October 2017, it entered into negotiation with China Mobile Group Beijing Co., Ltd (中國移動通信集團北京有限公司) ("**Beijing Mobile**") and Beijing Unicom over the renewal of the expired 4G agreement and entered into framework agreements with Beijing Mobile with respect to the civil communication 4G system transmission services of several lines of Beijing Subway in December 2017 which will be effective from 1 November 2017 until 31 December 2022. It also reached consensus with Beijing Unicom on the key terms of the 4G information transmission service agreement of Beijing Subway. Both parties confirmed the accumulate contract revenue of the information transmission services, thereby guaranteeing the revenue from 4G system transmission service of the Company for the next five years.

In November 2017, BII Zhuoyue completed the civil communication 4G system construction project of the connecting line between Line Changping and Line No. 8 of Beijing Subway which has officially commenced operation in December 2017. The smooth implementation of this project creates the conditions for the overall network planning and large-scale operation of civil communications and provides a positive effect to the interconnection of the lines under its management and future business development.

In August 2017, BII Zhuoyue entered into entrusted construction agreement with Beijing MTR Construction Administration Corporation Limited (北京市軌道交通建設管理有限公司) ("**Beijing MTR Construction**") with respect to the civil communication transmission system of Phase III of Line 8, Phase IV of Line 8 and the western extension of line 6 of Beijing Subway, which is estimated to be completed and commence operation with the existing lines at the end of 2018.

In December 2017, BII Zhuoyue completed the installation and preliminary testing of light cable of the Xijiao line of Beijing Subway. This project is ready for use and its smooth implementation has helped BII Zhuoyue to build a good cooperative relationship with Beijing Public Transport Holdings, Ltd.* (北京公共交通控股(集團)有限公司) ("**Beijing Public Holdings**").

In February 2017, BII Zhuoyue and Beijing Information Infrastructure Construction Company Limited ("**Beijing Information Construction**") signed the "Information and Communication Network Access Agreement", pursuant to it BII Zhuoyue will provide Beijing Information Construction with fibre access services from Chegongzhuang West Station to Haojiafu Station of Railway Line no. 6 within 6 months. This is the new expansion of the value-added business for Civil Communication Transmission Services of the Group.

Exploration of New Business

The Group develops the urban railway transit line operation and management business, maintenance, repair and management business and internet ticketing services business through joint venture and partnership. The complementary advantages brought about by partners offer favourable conditions for the Group to foray into the urban railway transit subsegments and is beneficial for the Group to create new business drivers and lay a solid foundation for the construction of intelligent railway transportation.

Beijing Metro Co., Ltd.* (北京京城地鐵有限公司) ("**Beijing Metro**"), a joint venture of the Company, is a new venture of the Group in expanding the operation and management business of city railway transportation line. In FY 2017, Beijing Metro contributed net profit of HK$8.1 million to the Group, increased by HK$9.0 million as compared to net loss of HK$0.9 million in FY 2016 and achieved turnaround. In May 2017, Beijing Metro successfully acquired the 30-year operating income right of the Beijing Subway Airport Express Line and floors two to six of Dongzhimen Terminal and became the official operator of Beijing Subway Airport Express Line. In June 2017, Beijing Metro secured the Public-Private Partnership ("**PPP**") project of Line T2 of tramcar in Shunyi District, Beijing, by way of joint bid; in February 2018, Beijing Metro secured the PPP project of Line 4 of Dalian Metro by way of joint bid. Beijing Metro is the subway operator jointly established by the Company and Beijing Subway 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. This marks the new development of the Group's exploration of new business and is in line with the Group's strategic development planning.

Beijing Metro Science and Technology Development Co., Ltd. * (北京地鐵科技發展有限公司) ("**Metro Science and Technology**"), is a new venture of the Group in expanding its urban rail transit operational warranty, maintainance, repairment and management business. Metro Science and Technology contributed net profit of HK$6.4 million to the Group in FY 2017, increased by HK$5.4 million as compared with HK$1.0 million in FY 2016. Business growth mainly derived from the AFC system maintenance assurance and full reconstruction services for a total of 15 lines including Beijing Subway Line no. 1 and Line no. 2. Through active business expansion, the overall income and profit level have increased gradually year on year.

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 venture of the Group in expanding the business of city railway transport internet ticketing service. In 2017, Cornerstone Chuangying contributed loss of approximately HK$3.1 million to the Group since the internet project it invested in was still at its early stage and required relatively larger contribution at the start-up stage. The "Easy Pass" (易通行) Application ("**Easy Pass 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 (北京地鐵機場線) ("**Airport Express Line**"). On 1 September 2017, the trial operation of online ticket purchase and in-station ticket collection services were extended to 20 subway stations with large passenger flow. On 20 September 2017, station entry and exit services with a two-dimensional code scan were on trial at Airport Express Line. On 23 December 2017, online ticket purchase and instation 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, 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 BII Zhuoyue, ICBC Credit Suisse Investment Management Co., Ltd. ("**ICBC Credit Suisse**"), Dr. Peng Telecom Media Group Co., Ltd. ("**Dr. Peng**"), Shenzhen Ever-Rising Industrial Group Co., Ltd. ("**Ever-Rising Industrial**"), Beijing Tonglingtong Telecom Technology Co., Ltd.* (北京通靈通電訊技術有限公司) ("**Tonglingtong**") 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)) ("**Chuangying Centre**") with a total contribution of RMB201 million, among which, BII Zhuoyue (as a limited partner) contributed RMB50.0 million and owns approximately 24.9% of the partnership. The contribution of RMB50.0 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 Liability Partnership)* (保定基石連盈創業投資基金中心(有限合夥)) ("**Cornerstone Lianying**"), an associate of the Company, is an incubator platform for the Group to develop the quality enterprises of city railway transport-related businesses in the industries including information technology, energy-saving and environmental protection and advanced equipment manufacturing. 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, BII, Metro Land Development Co., Ltd. (京投發展股份有限公司) ("**Metro Land**"), Beijing Zhongguancun Collaborative Innovation Investment Fund (Limited Partnership) ("**Zhongguancun Co-Fund**"), Beijing Fufeng Investment Co., Ltd. ("**Fufeng Investment**"), Cornerstone International Financial Leasing Co., Ltd. ("**Cornerstone International**") and Beijing Jiuzhouyigui Shock and Vibration Isolation Co., Ltd. ("**Jiuzhouyigui**"). The total capital commitment of it was RMB313.0 million and BII Zhuoyue (as a limited partner) contributed RMB25.0 million and owns approximately 7.99% of the partnership. The initial contribution of RMB10.0 million was paid in December 2017 by BII Zhuoyue. Cornerstone Lianying is the third phase of "Cornerstone Fund", the fund for railway transport-related business, with an emphasis on railway transport-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 RMB10.0 million. BII Zhuoyue contributed RMB5.1 million with a shareholding of 51.0% 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, thereby boosting the construction of intelligent railway transportation.

BII ERG, a subsidiary of the Company, incorporated its subsidiary in Shenzhen on 16 November 2017 while its subsidiary in Chengdu was incorporated on 15 January 2018.

PROSPECTS

2017 was the second year of the "Thirteenth Five-Year Plan" for the national city railway transport, during which the construction of national city railway transport has reached a peak. Leveraging on its strong carrying capability, railway transport brought along economics of scale. Various provinces and regions pushed forward the construction of railway transport such as local subway and light rail, etc. According to the China Association of Metros, as of 31 December 2017, Mainland China has in total 5,021.7 km of city railway transport lines in 34 cities to be put into operation. Based on the incomplete statistics, it is expected that China will have additional 55 city railway transportation lines (sections) to commence construction in 26 cities in 2018 with a total length of approximately 1,340 km, 778 railway stations involved, and a total investment amount of around RMB800.0 billion. Along with the gradual expansion of the national railway transport planned scope, it is estimated that the total investment of city railway transport in 2020 would reach RMB3.0 trillion, the operating mileage of city railway would reach 6,000 km and the total investment of railway transport in Beijing would reach RMB480 billion.

In 2017, the total passenger flow of Beijing railway transit network is approximately 3.778 billion, up 129 million or approximately 3.5% as compared to 3.649 billion in 2016. The increase in passenger flow drives up the demand for the further development of railway transit network in Beijing. As at the end of 2017, the operating mileage of railway transit in Beijing reached 609 km. According to "Second Phase Construction Plan of Beijing Railway Transit (2015-2021), the total mileage of railway transit in Beijing will reach nearly 1,000 km by 2021. According to Third Phase Railway Transit Planning (2021–2035) ("**2035 Plan for Beijing**") which is now under preparation, the additional length is around 500km, and the total length for the railway transport line in Beijing would reach 1,500km in 2035. The additional lines will enhance service in the city centres, serve the sub-centres and also connect each new city in the Beijing City. The construction for 2035 Plan for Beijing City will apply various models including applying the existing subway lines with maximum speed of 80km/h, the Subway Express with maximum speed of 160km/h and Maglev train, etc. During the Beijing traffic work conference convened on 11 February 2018, it was proposed that Beijing shall build a safe, convenient, efficient, green and economically modern integrated transport system in a comprehensive manner in 2035, thereby endowing the capital with an international metropolis transport system which has a leading position in China and is truly world class.

2017 is an important year for the implementation of the 13th Five-Year Plan, and also a year when the structural reforms on the supply side deepened. Along with the further implementation of the supply side structural reform, the fixed assets investment work of the whole Beijing city became more focused on areas such as the mission of reliving non-capital functions, the coordinated development of the Beijing-Tianjin-Hebei Region, and the ecological environment. Investment scale grew steadily and the structure was optimised continuously. The city completed RMB894.8 billion of social investment in fixed assets, representing an increase of 5.7% when compared to 2016. Among which, investment in infrastructures increased by 24.4%, which became the main driver for the investment growth. As the main force of the infrastructure investment and construction of Beijing City, BII persisted in integrating key national strategies such as "The Belt and Road Initiative" and "coordinated development of the Beijing-Tianjin-Hebei Region" and the Group would also explore the market with BII. Leveraging on its own competitive advantages and business experience, the Group was able to expand its market scope. Meanwhile, benefited from the favorable national policies, the Group possessed impressive growth potential. As one of the major suppliers for city railway transport in China, the Group will adhere to its core values of "profession, innovation, integrity and win-win" and adhere to the service concepts of "customer comes first and people oriented". Dedicated to becoming the leader and pioneer of the smart railway transport in China, the Group will share the fruitful result brought about by the advanced railway transport information with the society as a whole.

APPRECIATION

I would like to take this opportunity to thank all our shareholders, leaders, customers, business partners and every parties and friends for their ongoing support and trust, as well as their contribution to the Group's development. Also, I would like to express my sincere appreciation to my fellow Directors and the staff for their continuing contribution and diligent contribution to the Group.

Guan Jifa
Chairman
Hong Kong, 27 March 2018

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the FY 2017, 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 FY 2017, 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 MLC Project under Phase II Beijing Fare Renovation Project, Rail Transit TPU Renewal Project, Smart Card Renovation Project of Beijing-Tianjin-Hebei, the Surveillance Centre Construction Project and ACC Renovation Project of Beijing Metro Network.

Civil Communication Transmission Services

Civil communication transmission services mainly represent the provision of communication information transmission services to mobile operators. During FY 2017, 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 and 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 Construction in 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 FY 2017, the Group's revenue from business development investment was mainly derived from Beijing Metro and Metro Science and Technology, both are joint ventures of the Group. During this financial year, Beijing Metro, a joint venture, completed the acquisition of the 30-year operating income right of the Beijing Subway Airport Express Line and floors 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 FY2016 to approximately HK$564.6 million for FY 2017. 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 COCC Project, Beijing S1 Line 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 FY2016 to approximately HK$450.1 million for FY 2017. 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 Line 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 FY2016 to approximately HK$114.5 million for FY 2017. The increase of this segment 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 FY2016 to approximately HK$451.3 million for FY 2017. 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 FY 2017.

Gross profit

The Group recorded an increase in gross profit by approximately 8.9% from approximately HK$104.0 million for FY2016 to approximately HK$113.3 million for FY 2017. 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 income investment of approximately HK$11.4 million from approximately HK$0.1 million for FY2016 to approximately HK$11.5 million for FY2017. 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 officially incorporated 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 floors two to six of Dongzhimen Terminal during the year which brought significant increase in income to Beijing Metro, and Metro Science and Technology recorded a significant increase in income 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 FY2016 to approximately HK$85.5 million for FY 2017. 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 FY2016 to approximately HK$38.6 million for FY 2017. 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 FY 2017, 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 292 employees (31 December 2016: 297). The total staff costs, including Directors' remuneration, were approximately HK$101.0 million (FY2016: HK$80.8 million). The increase in total staff cost in 2017 is mainly attributable to the rise in salary of staff and the increase in bonus and other benefits due to the improvement in results.

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 FY 2017, representing an increase of HK$9.0 million as compared to a net loss of HK$0.9 million during FY2016, achieving a turnaround. Beijing Metro successfully acquired the 30-year operating income right of the Beijing Subway Airport Express Line and floors two to six of Dongzhimen Terminal in May 2017 and became the official operator of Beijing Subway Airport Express Line. In June 2017, the Company secured the 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 Subway 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 FY 2017, representing an increase of HK$5.4 million as compared to HK$1.0 million for FY 2016, through active expansion of business and annual increase in overall income and level of profitability. The improvement in results is mainly derived from the maintenance and substantial repair services for a total of 15 routes, including Beijing Railway Line 1 and Line 2. 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) ("**CCRTT Investments**"), a subsidiary held as to 70% indirectly by the Company, and Beijing Subway Operation, Metro Science and Technology is a provider of Beijing subway operation security, maintenance and repair services.

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. As its investment in internet projects is still at the early stage and the input is relatively substantial during the start-up period, Cornerstone Chuangying caused a loss of approximately HK$3.1 million to the Group in 2017. The Easy Pass 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 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 BII Zhuoyue, a subsidiary of the Company, ICBC Credit Suisse, Dr. Peng, Ever-Rising Industrial, Tonglingtong and Chuangying Centre with a total contribution of RMB201.0 million, among which, BII Zhuoyue (as a limited partner) contributed RMB50.0 million and owns approximately 24.9% of the partnership. The contribution of RMB50.0 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.

Cornerstone Lianying, an associate 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 BII contributing a total of RMB313.0 million, among which, BII Zhuoyue (as a limited partner) contributed RMB25.0 million and owns approximately 7.99% of the partnership. The initial contribution of RMB10.0 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, with Tonghai Technology, Tong Jian Tai Li Te, with a registered capital of RMB10 million. BII Zhuoyue contributed RMB5.1 million with a shareholding of 51.0% 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.

Save as disclosed, 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 during FY2017.

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 FY 2017 (FY2016: 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.

BUSINESS PROSPECTS

In 2018, 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 "Giving Priority to Intelligent Railway Transportation Services and Civil Communication Transmission Services and Supplementing by New Business Development Though Joint Ventures and Partnership". Anchored in Beijing and Hong Kong, the Company's business will extend throughout the nation. Under the leadership of BII, the Group will continue to gear up its efforts in research and development and enhance technological innovation and 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 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 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.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

CAO Wei (曹瑋), Mr. Cao, aged 54, joined our Group in April 2009. He was appointed as a Director on 7 January 2011 and redesignated as an executive Director on 7 December 2011. He was redesignated from Chief Executive Officer to Vice Chairman on 28 February 2017. He is also a member of the Remuneration Committee. Mr. Cao obtained a bachelor's degree in industrial automation from Harbin Institute of Technology in July 1985 and received his certification as senior engineer in 1996. Mr. Cao subsequently obtained an executive master's degree in business administration (EMBA) from Tsinghua University in July 2009. From 1996 to 2001, Mr. Cao was the general manager of Beijing Telecom Network Technology Co., Ltd.. Mr. Cao had been a director and the general manager of Beijing Enterprises Teletron Information Technology Co., Ltd., a company which became a subsidiary of Beijing Development (Hong Kong) Limited (now known as Beijing Enterprises Environment Group Limited) ("**Beijing Development**"), a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 154) in 2001. From 2005 to 2010, Mr. Cao was an executive director and vice president of Beijing Development. Mr. Cao has over 20 years of experience in the management technology and communications industry and has developed strong business relationship and networks in the industry. Mr. Cao now serves as the director of Great Legend Development Limited ("**Great Legend**"), Beijing City Railway Holdings Company Limited ("**Beijing City Railway**"), Innovation Holding Co., Ltd., CCRTT Investment, ERG (HK) and BII Zhuoyue (each a subsidiary of the Group) and has served as the director of Beijing Metro and Metro Science and Technology (each an associate of the Group) since February 2016. Mr. Cao is the sole director of More Legend Limited ("**More Legend**"), a substantial shareholder of the Company, and indirectly holds the shares of the Company through his 100% equity interest in More Legend. More Legend holds as to 11.62% of the issued share capital of the Company.

XUAN Jing (宣晶), Ms. Xuan, aged 44, was appointed as an executive Director on 27 June 2014 and appointed as Chief Executive Officer on 28 February 2017. Ms. Xuan graduated from Tianjin University in the PRC in July 1995 with a bachelor's degree in engineering majoring in engineering management and obtained a master's degree in business administration from Nankai University in March 2001. In November 2003, Ms. Xuan was qualified as an economist approved by Beijing Intermediate Specialised Technique Qualification Assessment Committee* (北京市中級專業技術職務評審委員會). From July 1995 to September 1998, Ms. Xuan was the project manager of Changshi International (Tianjin) Group Limited* (長實國際(天津)集團公司). From March 2001 to November 2007, Ms. Xuan was the deputy general manager of the finance department of Digital China (China) Ltd. From November 2007 to May 2010, Ms. Xuan served as the secretary to the board of directors and the general manager of the development department of Beijing Jinxin Technology Co., Ltd* (北京神州金信科技股份有限公司). From May 2010 to January 2017, Ms. Xuan successively served as the assistant to the manager, deputy manager and general manager of the investment management department of BII, the controlling shareholder of the Company. In July 2015, Ms. Xuan was appointed as the director of Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司) ("**BII HK**"), the controlling shareholder of the Company, and ceased to be the director thereof with effect from May 2017. Ms. Xuan now serves as the director of Great Legend, Beijing City Railway, CCRTT Investment, ERG (HK), BII Zhuoyue, BII Transit Systems (Beijing) Co., Ltd. (億雅捷交通系統(北京)有限公司) ("**ERG (BJ)**") and BII ERG (each a subsidiary of the Group), and has served as the director of Metro Science and Technology since December 2016 and Beijing Metro, associate of the Group, since February 2017.

NON-EXECUTIVE DIRECTORS

GUAN Jifa (關繼發), Mr. Guan, aged 52, was appointed as a non-executive Director on 28 October 2015 and redesignated as Chairman on 28 February 2017. He is also the chairman of the Nomination Committee. Mr. Guan graduated from Xi'an Institute of Metallurgy and Architecture* (西安冶金建築學院) (now known as Xi'an University of Architecture and Technology) with a bachelor's degree in engineering in July 1987. In September 1999, Mr. Guan obtained the engineer qualification certificate and was qualified as a senior engineer approved by Beijing Senior Specialised Technique Qualification Assessment Committee* (北京市高級專業技術職務評審委員會). He had taken a post-graduate course in the International Business School of the University of International Business and Economics from March 2002 to August 2004. He obtained a doctorate's degree in engineering from Xi'an University of Architecture and Technology in December 2008. From July 1987 to August 1992, Mr. Guan worked at the Heilongjiang Metallurgical Design and Planning Institute* (黑龍江冶金設計規劃院) as an Engineer. From June 1994 to April 2005, Mr. Guan worked at Beijing Urban Construction No. 3 Development Co., Ltd* (北京城建三建設發展有限公司) as a project manager and subsequently served as a deputy general manager. From April 2005 to January 2008, Mr. Guan acted as the deputy general manager and subsequently the general manager of Beijing Subway Construction Co., Ltd* (北京地下鐵道建設公司). Mr. Guan served as the chairman of Beijing Jing Chuang Investment Ltd. (北京京創投資有限公司) from January 2008 to March 2010. From March 2010, Mr. Guan successively served as the general manager of the Land Development Department of BII, the controlling shareholder of the Company, assistant to general manager of BII and now serves as the deputy general manager of BII. He also serves as a non-executive director of Beijing Urban Construction Design & Development Group Co., Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1599), since January 2016. Mr. Guan served as the director of Beijing Metro from February 2016 to February 2017.

HAO Weiya (郝偉亞), Mr. Hao, aged 48, was appointed as a non-executive Director on 6 August 2013. Mr. Hao graduated from the University of Science and Technology Beijing in the PRC with a bachelor's degree in engineering majoring in applied chemistry (industry analysis) in July 1992 and a master's degree in business administration in June 2001. In November 2008, Mr. Hao was qualified as a senior economist approved by Beijing Senior Specialised Technique Qualification Assessment Committee* (北京市高級專業技術職務評審委員會). Mr. Hao has over 20 years of experience in finance and investment. From January 1994 to March 2000, Mr. Hao worked in various brokerage and investment companies. From March 2000 to April 2001, Mr. Hao was the project manager of Beijing Municipality Overseas Finance and Investment Managing Center* (北京市境外融投資管理中心). From April 2001 to January 2002, Mr. Hao was the deputy manager of the capital management department of Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司). From January 2002 to August 2008, Mr. Hao served as the deputy general manager and was subsequently the general manager and chairman of the board of directors of Beijing Integrated Circuit Design Park Co., Ltd.* (北京集成電路設計園有限公司). From August 2008 to July 2014, Mr. Hao successively served as the senior investment manager of financing department, manager of investment management department, assistant to general manager and deputy general manager of BII, the controlling shareholder of the Company. From July 2014 onwards, Mr. Hao serves as a director and the general manager of BII. From January 2010 to June 2011 and from December 2014 onwards, Mr. Hao serves as a director of Metro Land, a company listed on the Shanghai Stock Exchange (Stock Code: 600683). From October 2013 to November 2014, Mr. Hao served as the non-executive director of Beijing Urban Construction Design & Development Group Co., Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 1599).

ZHENG Yi (鄭毅), Mr. Zheng, aged 43, and was appointed as a non-executive Director on 25 August 2017. Mr. Zheng obtained a Master's degree in engineering, specialised in Road and Railway Engineering, at the School of Civil Engineering of Northern Jiaotong University (now known as Beijing Jiaotong University) in May 2000. He was qualified as a senior engineer by Beijing Senior Specialised Technique Qualification Evaluation Committee* (北京市高級專業技術資格評審委員會) in July 2006 and was subsequently qualified as a professor-grade senior engineer in 2017. Since November 2005, he once took up various positions in BII, the controlling shareholder of the Company, as the senior planner and deputy manager, Head of office of railway routing consolidation department of BII, general manager of preliminary planning department, and assistant general manager of BII and general manager of railway transportation business department.

REN Yuhang (任宇航), Mr. Ren, aged 42, was appointed as a non-executive Director on 28 February 2017. Mr. Ren obtained a bachelor's degree in thermal engineering from Wuhan University in June 1996. He also obtained a master's degree in technology economics and management and a doctorate's degree in business administration from Beijing Institute of Technology in June 2004 and March 2008, respectively. From July 1996 to September 2003, Mr. Ren worked at Henan No. 1 Electrical Power Company* (河南省電力公司火電一公司) as an engineer. From September 2004 to September 2005, he worked for the Credit Management Authority of China Development Bank. From September 2005 to June 2006, he took the position of manager at the research department of Beijing Boxing Investment Consultancy Company Limited* (北京博星投資顧問有限公司). From May to September 2007, he worked as a senior consultant at the business consulting department of INNOFI Financial Information Industry Group* (北京正信嘉華管理顧問有限公司). Mr. Ren has worked as a project manager, senior project manager, general manager of the financial planning department of BII since September 2007. Mr.Ren is currently the general manager of the capital operation department of BII, the controlling shareholder of the Company. Mr. Ren was appointed as the director of BII HK, a controlling shareholder of the Company, in July 2015.

INDEPENDENT NON-EXECUTIVE DIRECTORS

BAI Jinrong (白金榮), Mr. Bai, aged 67, was appointed as an independent non-executive Director on 7 December 2011. Mr. Bai is also the chairman of the Remuneration Committee and member of the Audit Committee and the Nomination Committee. Mr. Bai graduated from Beijing Normal University in 1985. Mr. Bai has over 30 years of experience in economics, finance and enterprise management. From 1984 to 1992, Mr. Bai served as a deputy director and director of the Policy Research Office of Beijing Chemical Industry Group. From 1992 to 1997, Mr. Bai served as a deputy director of Beijing Economic Structure Reforms Committee* (北京市經濟體制改革委員會). From 2003 to 2004, Mr. Bai was the deputy director of Beijing State-owned Assets Supervision and Administration Commission. From 2005 to 2010, Mr. Bai was the vice board chairman and general manager of Beijing Enterprises Group Company Limited. From June 2005 to June 2011, Mr. Bai was the executive director of Beijing Enterprises Holdings Limited, a company listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 392). From February 2015 to March 2016, Mr. Bai also served as the independent non-executive director of Kong Shum Union Property Management (Holding) Limited, a company listed on GEM of the Stock Exchange (stock code: 8181).

LUO Zhenbang ***(CPA)*** **(羅振邦)**, Mr. Luo, aged 52, was appointed as an independent non-executive Director on 13 November 2012. He is also the chairman of the Audit Committee. Mr. Luo graduated from the School of Business of Lanzhou in 1991 majoring in enterprise management. From September 2005 to July 2007, Mr. Luo took a master's degree course in management (technology and innovation) in Tsinghua University jointly organised by The Australian National University and Tsinghua University and obtained a master's degree in management from The Australian National University in July 2007. Mr. Luo has over 20 years' experience in accounting, auditing and financial management and is a Chinese Certified Public Accountant, Certified Tax Agent, Certified Public Valuer and Certified Accountant in securities and futures industry. Mr. Luo has extensive experience in the audit of listed companies in various sectors and provides business consultation services in corporate restructuring and strategic planning for initial public offerings and assets and debts restructuring. Mr. Luo had been the deputy general manager of Zhong Zhou Certified Public Accountants and Baker Tilly China Certified Public Accountants. He was an expert supervisor of China Cinda Asset Management Co., Ltd. and China Great Wall Asset Management Corporation. Mr. Luo had served as an independent director of several listed companies in the PRC, including Long March Vehicle Technology Company Limited (now known as China Aerospace Times Electronics Company Limited) (stock code: 600879) and AVIC Heavy Machinery Company Limited (stock code: 600765), each a company listed on the Shanghai Stock Exchange; Ning Xia Orient Tantalum Industry Company Limited (stock code: 962), Wuzhong Instrument Company Limited (now known as Ningxia Yinxing Energy Company Limited) (stock code: 862) and Ningxia Zhongyin Cashmere Company Limited (stock code: 982), each a company listed on the Shenzhen Stock Exchange. Mr. Luo has been the independent non-executive director of China Aerospace International Holdings Limited (stock code: 31) since December 2004, the independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd. ("**Xinjiang Goldwind**") (stock code: 2208) since June 2013 and has also served as the independent director of Xinjiang Goldwind (stock code: 2202) listed on the Shenzhen Stock Exchange, and the independent non-executive director of Guorui Properties Limited (stock code: 2329) since July 2014, each a company listed on the Main Board of The Stock Exchange of Hong Kong Limited. Mr. Luo has also been the independent director of Digital China Information Service Company Ltd. (stock code: 555), a company listed on the Shenzhen Stock Exchange since September 2011 and is also a member of the internal audit committee of Northeast Securities Co., Ltd., a company listed on the Shenzhen Stock Exchange (stock code: 686). Mr. Luo is the director and managing partner of BDO China Shu Lun Pan Certified Public Accountants LLP.

HUANG Lixin (黃立新), Mr. Huang, aged 46, was appointed as an independent non-executive Director on 9 July 2014. He is also a member of the Audit Committee, the Remuneration Committee and the Nomination Committee. Mr. Huang graduated from the Law School of Renmin University of China with a bachelor's degree in law in July 1993 and obtained a master's degree in law from the University of International Business and Economics in July 1996. Mr. Huang obtained the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in June 2001. Mr. Huang was qualified as a lawyer in the PRC since October 1995 and obtained the practising certificate issued by the Law Society of Hong Kong for the period from January to December 2004. Mr. Huang possessed extensive experience in the legal practice and had participated in numerous issues of securities, initial public offerings, post-listing financing as well as merger and acquisition projects over the past 20 years as a practising lawyer. Mr. Huang was an intern in the Department of Legal Affairs of the China Securities Regulatory Commission from November 1993 to February 1996. From August 1996 to July 2000, Mr. Huang was a PRC legal consultant at Herbert Smith LLP. From July 2001 to May 2007, Mr. Huang was appointed as a trainee solicitor and later a solicitor at Herbert Smith LLP. Mr. Huang is now a partner of Beijing Haiwen & Partners which he joined in May 2007.

SENIOR MANAGEMENT OF THE COMPANY

WANG Xinjiang (王新江), Mr. Wang, aged 51, joined the Group as our Chief Financial Officer on 1 March 2016. Mr. Wang is mainly engaged in the financial affairs of the Group. Mr. Wang was granted with the bachelor degree of accounting from Central University of Finance and Economics in 1991, and the master degree of accounting from Central University of Finance and Economics in 2008. Prior to joining the Group, Mr. Wang served as chief financial officer of 威立雅交通巴黎地鐵中國有限公司 (Veolia Transport-RATP China), and successively served as financial director of Shengkang Group and 中馬綠能(國際)集團有限公司 (KCS Green Energy International (Group) Investments Co. Ltd). Currently, Mr. Wang is a specialist expert of BII. Mr. Wang has served as the director of BII ERG since May 2016 and has held the positions of deputy general manager and financial officer of BII Zhuoyue since July 2017 as well as the director of BII Zhuoyue since October 2017. He has assumed the positions of director of ERG (BJ) since March 2016 and director of Great Legend, Beijing City Railway and CCRTT Investment since December 2017. He has been a director of BII Xin An since January 2018.

LIU Yu (劉瑜), Mr. Liu, aged 44, joined the Group in May 2013 and was appointed as vice president of our Group on 1 July 2014. Mr. Liu is primarily responsible for smart railway transportation business of our Group, and market expansion of the Group as well. Mr. Liu obtained a master's degree in transportation planning and management from Beijing University of Technology in 2008 and was an accredited engineer. From July 2005 to May 2013, Mr. Liu had served as the manager of TCC project department, head of TCC technical workshop, deputy director of technical engineering department, manager of information centre project department and deputy chief engineer of Beijing Metro Network Administration Co., Ltd. Since Mr. Liu's secondment to our Group, Mr. Liu had served as the deputy general manager of BII ERG and deputy general manager of the Group. Since October 2014, Mr. Liu concurrently served as the general manager of BII ERG and general manager of ERG (BJ) since August 2016. Mr. Liu has taken up the position of director of BII ERG and director of ERG (BJ) since February 2017.

LIU Zhongliang (劉忠良), Mr. Liu, aged 44, joined the Group in March 2009 and was appointed as vice president of our Group on 1 September 2012. Mr. Liu is primarily responsible for the technological research and development and civil communication business development of our Group. Mr. Liu obtained a master's degree in management information from the Institute of Scientific and Technical Information of China in 2000 and was a visiting scholar at the University of Maryland in 2000. Since he joined the Group, Mr. Liu served as deputy general manager of ERG (BJ) and was transferred to BII ERG as deputy general manager in October 2009. Mr. Liu has over 15 years of experience in the management Technology and communications industry as well as the metro industry. Prior to joining our Group, Mr. Liu had worked at Anshan Municipal Commission of Development and Reform, and had served as the project manager at Motorola (China) Electronics Limited, the department manager at Samsung SDS (China) Limited, the director of engineering and software development at Telvent Control System (China) Limited (now known as Schneider Electric (China) Company Limited) and the China regional deputy general manager at ERG Group (now known as Vix-ERG) respectively.

ZHAO Jingyuan (趙婧媛), Ms. Zhao, aged 38, joined our Group in April 2016 and was appointed as the vice president of the Group on 1 April 2016. Ms. Zhao is mainly responsible for human resources, administration affairs, legal affairs and internal control of the Group. Ms. Zhao obtained the bachelor degree of arts from Liaoning University in 2003, and the master degree of history in 2006 from the same university. She was awarded with the practicing qualification as senior human resources administrator in November 2011. Ms. Zhao owns over ten years of experiences in human resource management. Prior to joining the Group, Ms. Zhao worked in Zhongdian Feihua Communication Co., Ltd.* (中電飛華通信股份有限公司), a company held by State Grid Information Communication* (國網信通), as manager of the human resource department from July 2006 to February 2011. For the period from February 2011 to January 2012, she served as the senior director of the human resource department of BII. From January 2012 to October 2013, she took the position of director of human resource and administration department of BII ERG. For the period from October 2013 to March 2016, she successively served as assistant to general manager and deputy general manager of the human resource department of BII. Ms. Zhao serves as deputy general manager of BII Zhuoyue since June 2016.

COMPANY SECRETARY

SIY Ling Lung (施玲瓏), Ms. Siy, was appointed as the company secretary of the Company on 17 October 2017. Ms. Siy is currently a director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services. Ms. Siy is a Chartered Secretary and an Associate of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom. Ms. Siy has over 20 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multi-national, private and offshore companies.

DIRECTORS' REPORT

The Directors are pleased to present their report for FY 2017:

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities and other particulars of its subsidiaries are set out in Note 14 to the consolidated financial statements.

As far as the Company is aware, during FY 2017, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

RESULTS

The Group's profit for FY 2017 and the state of affairs of the Group and of the Company as at that date are set out in the consolidated financial statements on pages 90 to 152. The Company is not aware of any arrangement under which a shareholder has waived or agreed to waive any dividends.

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 FY 2017 (FY 2016: 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 at the 2018 annual general meeting ("**AGM**"). It is expected that the final dividend will be paid on or before Wednesday, 26 September 2018.

ANNUAL GENERAL MEETING

The 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.

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 (Hong Kong Time).

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 (Hong Kong Time).

BUSINESS REVIEW

The business review of the Company for FY 2017 is set out in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "2017 ESG Reporting" of this annual report. As the current technology replacement cycle is getting shorter, the Internet is in the ascendant, mobile payment is booming, and open source software is becoming a trend, China's technological development is faster than ever before. As a technology-based company in the field of railway transportation, the Group will also be affected and face the risks of profound reform in technological trends and directions, internetisation of behavior patterns and usage patterns of users and fierce competition for core talents and innovative talents. It also encounters risks such as barriers in foreign markets, intensified competition in the industry, and risks on legal proceedings, credit, liquidity, interest rates and foreign exchange during the business process, details of which are set out in Note 25 to the financial statements.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 23(a) to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group for FY 2017 are set out in Note 23(a) to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the Shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2017, the Company's reserves available for distribution amounted to approximately HK$1,857.6 million (31 December 2016: HK$1,859.5 million). Such amount includes the Company's share premium.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for FY 2017 are set out in Note 11 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's articles of association (the "**Articles**") or the laws of the Cayman Islands, being the jurisdiction in which the Company was incorporated, which would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years as extracted from the audited consolidated financial statements is set out on page 3 in this annual report. This summary does not form part of the audited financial statements in this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For FY 2017, the purchases and sales percentage from the major customers and suppliers of the Group are set out below:

		Percentage of total purchases
(1)	Purchases	
	– the largest supplier	9.5%
	– the five largest suppliers combined	38.9%

		Percentage of total sales
(2)	Sales	
	– the largest customer	19.7%
	– the five largest customers combined	48.9%

Save as disclosed under the section headed "Connected Transactions" in this Directors' Report, as far as the Directors are aware, none of the Directors or any of their close associates, or any Shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and suppliers for FY 2017.

DIRECTORS

The Directors for FY 2017 and up to the date of this report were:

Executive Directors

Mr. Cao Wei *(Vice Chairman)*	appointed as Vice Chairman on 28 February 2017
Ms. Xuan Jing *(Chief Executive Officer)*	appointed as Chief Executive Officer on 28 February 2017
Mr. Shao Kai	resigned on 25 January 2017

Non-executive Directors

Dr. Tian Zhenqing	resigned on 28 February 2017
Mr. Guan Jifa *(Chairman)*	appointed as Chairman on 28 February 2017
Mr. Hao Weiya	
Mr. Ren Yuhang	appointed on 28 February 2017
Mr. Zheng Yi	appointed on 25 August 2017

Independent non-executive Directors

Mr. Bai Jinrong
Mr. Luo Zhenbang *(CPA)*
Mr. Huang Lixin

According to article 16.18 of the Articles, Ms. Xuan Jing, Mr. Bai Jinrong and Mr. Luo Zhenbang will retire as Directors by rotation at the AGM, and Mr. Zheng Yi, who was appointed by the Board on 25 August 2017, shall hold office until the AGM pursuant to article 16.2 of the Articles. All of the retiring Directors, being eligible, will offer themselves for re-election as Directors at the AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmation from each of the independent non-executive Directors in respect of their independence during FY 2017 in accordance with the requirements set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and all independent non-executive Directors are considered to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 18 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who was proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group for the twelve months ended 31 December 2017 are set out in Notes 8 and 9 to the consolidated financial statements.

MANAGEMENT CONTRACTS

As at 31 December 2017, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the remuneration committee of the Company, having regard to the Company's operating results, market competitiveness, individual performance, dedication and achievement. The Company has also adopted a share option scheme (the "**Share Option Scheme**") as an incentive to Directors and eligible employees, details of the scheme is set out in the section headed "Share Option Scheme" of this Directors' Report.

RELATIONSHIP WITH EMPLOYEES

Employees are the Group's most valuable assets. The Group believes in communicating with staff and giving them training and career development opportunities are beneficial to the Group and the staff. It also recognises good performance. It provides a variety of activities for staff to help them achieve a balance between work and life. The Group has established good relationship with its employees throughout the year.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration payable to the senior management of the Company for FY 2017 is within the range of HK$0 to HK$1,500,000.

SHARE OPTION SCHEME

The Share Option Scheme was approved for adoption pursuant to a written resolution of all of the Shareholders passed on 8 December 2011 for the purpose to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approves from time to time.

The Share Option Scheme was revised on 24 September 2013. It would remain in force for a period of 10 years commencing from 16 May 2012 unless terminated by the Company. As at the date of this annual report, the Share Option Scheme had a remaining life of approximately four years.

The share options granted under the Share Option Scheme must be taken up from the date on which the options are granted to such date as the Board may determine and specify in the offer letter. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

Unless otherwise determined by the Directors or stated in the offer of the grant of options to an eligible participant, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The exercise price of the options granted under the Share Option Scheme may be determined by the Board at its absolution discretion but in any event should be at least the highest of: (i) the closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet on the date of offer, which must be a business day; (ii) the average closing price of the shares of the Company as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer; and (iii) the nominal value of the shares of the Company.

Subject to the terms of the Share Option Scheme, the Board may, at its absolute discretion, grant or invite any person belonging to any of the following classes to take up options to subscribe for shares: (a) any employee, supplier, service provider, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Company or any subsidiaries; and (b) any person who have contributed or may contribute to the Group. During FY 2017, no options were granted.

The maximum number of shares which may be issued upon exercise of all outstanding options granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the total number of shares of the Company in issue from time to time.

The total number of shares of the Company to be issued upon exercise of all options granted and to be granted (including both exercised and outstanding options) in any 12-month period to any eligible participant shall not exceed 1% of the total issued shares of the Company unless (i) a circular is despatched to the Shareholders; (ii) the Shareholders approve the grant of the options in excess of the 1% limit referred to in this paragraph; and (iii) the relevant eligible participant and its associates abstain from voting on such resolution.

As at the date of this annual report, the total number of shares of the Company available for issue under the Share Option Scheme is 130,724,366 Shares, representing approximately 6.21% of the issued shares of the Company.

As at 31 December 2017, there were 28,900,000 outstanding share options granted under the Share Option Scheme, details as follows:

						Number of share options						
Grantee	Position/ Capacity	Date of grant	Exercise price (HK$)	Vesting period	Exercise period	Balance as at 1 January 2017	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	Balance as at 31 December 2017	Market value per share on exercise of options**
BII HK	Substantial Shareholder	5 December 2014	2.69	5 December 2014 to 4 December 2015 (Note 3)	5 December 2015 to 4 December 2019 (Note 3)	1,300,000	–	–	–	–	1,300,000	–
Mr. Cao Wei*	Vice Chairman and Executive Director	26 July 2012	0.656	26 July 2012 to 25 July 2013 (Note 1)	26 July 2013 to 25 July 2017 (Note 1)	800,000	–	(800,000)	–	–	–	HK$1.39
		5 December 2014	2.69	5 December 2014 to 4 December 2015 (Note 3)	5 December 2015 to 4 December 2019 (Note 3)	500,000	–	–	–	–	500,000	–
Others	Employees	26 July 2012	0.656	26 July 2012 to 25 July 2013 (Note 1)	26 July 2013 to 25 July 2017 (Note 1)	880,000	–	(812,000)	–	(68,000)	–	HK$1.39
Others	Employees	31 December 2013	1.08	31 December 2013 to 30 December 2014 (Note 2)	31 December 2014 to 30 December 2018 (Note 2)	15,020,000	–	(2,020,000)	–	–	13,000,000	HK$1.57
Others	Employees	5 December 2014	2.69	5 December 2014 to 4 December 2015 (Note 3)	5 December 2015 to 4 December 2019 (Note 3)	15,350,000	–	–	–	(1,250,000)	14,100,000	–
Total						33,850,000	–	(3,632,000)	–	(1,318,000)	28,900,000	

Notes:

1. On 26 July 2012, a total of 40,000,000 share options were granted to certain Directors and employees of the Company under the Share Option Scheme to subscribe for shares of the Company, exercisable at a price of HK$0.656 per share during a period from 26 July 2013 to 25 July 2017. Out of the share options granted, 39,200,000 share options were taken up. These options were vested and became exercisable in three tranches in the proportion of 20%, 70% and 100% on 26 July 2013, 26 July 2014 and 26 July 2015 respectively.

2. On 31 December 2013, a total of 20,000,000 share options were granted to certain employees of the Company under the revised Share Option Scheme to subscribe for shares of the Company, exercisable at a price of HK$1.080 per share during a period from 31 December 2014 to 30 December 2018. These options were vested and became exercisable in three tranches in the proportion of 20%, 70% and 100% on 31 December 2014, 31 December 2015 and 31 December 2016 respectively.

3. On 5 December 2014, a total of 20,000,000 share options were granted to a substantial shareholder, a Director and certain employees of the Company under the revised Share Option Scheme to subscribe for shares of the Company, exercisable at a price of HK$2.690 per share during a period from 5 December 2015 to 4 December 2019. These options were vested and became exercisable in three tranches in the proportion of 20%, 70% and 100% on 5 December 2015, 5 December 2016 and 5 December 2017 respectively.

* Mr. Cao Wei ceased to be the Chief Executive Officer and was redesignated as Vice Chairman with effect from 28 February 2017.

** Being the weighted average closing price of the Company's ordinary shares immediately before the dates on which the options were exercised.

DIRECTORS' INTEREST IN CONTRACTS

Saved as disclosed under the section "Connected Transactions" below and disclosed in Note 26 to the consolidated financial statements under the heading "Material related party transactions", (i) no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director or an entity connected with such Director had a material interest, whether directly or indirectly, subsisted at 31 December 2017 or at any time during FY 2017; (ii) no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries; and (iii) no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

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

As at 31 December 2017, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (the "**SFO**")) which were required (a) to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules were as follows:

Long positions in shares and underlying shares

Name of Director	The Company/ Name of associated corporation	Capacity	Number of shares	Number of underlying shares held in respect of share options under the share option scheme	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Cao Wei ("**Mr. Cao**")	The Company	Interest of controlled corporation (Note 1)	244,657,815	–	11.62%
	The Company	Beneficial owner	800,000 (Note 2)	500,000 (Note 3)	0.06%
					11.69%

Notes:

1. These shares are held by More Legend, and More Legend is wholly owned by Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 244,657,815 shares of the Company which More Legend owns. Mr. Cao is the sole director of More Legend.

2. On 26 July 2012, Mr. Cao was granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 shares of the Company, exercisable at a price of HK$0.656 per share during a period from 26 July 2013 to 25 July 2017. As at 31 December 2017, all these options were vested and exercised, and Mr. Cao exercised all the 800,000 options granted to him and subscribed for 800,000 shares of the Company.

3. On 5 December 2014, Mr. Cao was granted 500,000 options under the share option scheme of the Company to subscribe for 500,000 shares of the Company, exercisable at a price of HK$2.690 per share during a period from 5 December 2015 to 4 December 2019. These options were vested and became exercisable in three tranches in the proportion of 20%, 70% and 100% on 5 December 2015, 5 December 2016 and 5 December 2017, respectively.

Save as disclosed above, as at 31 December 2017, so far as was known to the Directors or the chief executive of the Company, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register required to be kept by the Company; or (c) pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at 31 December 2017, so far as known to the Directors or the chief executive of the Company, the persons (other than the Directors and the chief executive of the Company) who had interests and/or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in shares and underlying shares of the Company

Name of substantial shareholder	Capacity	Number of shares	Number of underlying shares held in respect of share options under the share option scheme	Approximate percentage of issued share capital of the Company
More Legend	Beneficial owner (Note 1)	244,657,815	–	11.62%
Ms. Wang Jiangping ("**Ms. Wang**")	Interest of spouse (Note 2)	245,457,815	500,000	11.69%
BII HK	Beneficial owner (Note 3)	1,157,634,900	1,300,000	55.06%
BII	Interest of controlled corporation (Note 3)	1,157,634,900	1,300,000	55.06%
China Property and Casualty Reinsurance Company Ltd.* (中國財產再保險有限責任公司)	Beneficial owner (Note 4)	148,585,534	–	7.06%
China Reinsurance (Group) Corporation* (中國再保險(集團)股份有限公司)	Interest of controlled corporation (Note 4)	191,193,534	–	9.08%
Central Huijin Investment Ltd.	Interest of controlled corporation (Note 4)	191,193,534	–	9.08%

Notes:

1. More Legend is the legal and beneficial owner of 244,657,815 shares of the Company and is wholly-owned by Mr. Cao. Mr. Cao is also the sole director of More Legend.

2. Ms. Wang is the spouse of Mr. Cao and by virtue of the SFO, is deemed to be interested in the 245,457,815 shares and the 500,000 underlying shares of the Company which Mr. Cao is interested in.

3. BII HK is a wholly-owned subsidiary of BII, a company established under PRC law with limited liability and wholly owned by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality. By virtue of the SFO, BII is deemed to be interested in the 1,157,634,900 shares and the 1,300,000 underlying shares of the Company owned by BII HK.

4. China Property and Casualty Reinsurance Company Ltd. and China Life Reinsurance Company Ltd. which hold 148,585,534 shares and 42,608,000 shares of the Company, respectively, are each a wholly-owned subsidiary of China Reinsurance (Group) Corporation, which is in turn owned as to 71.56% by Central Huijin Investment Ltd. By virtue of the SFO, China Reinsurance (Group) Corporation and Central Huijin Investment Ltd. are deemed to be interested in the 148,585,534 shares of the Company owned by China Property and Casualty Reinsurance Company Ltd. and 42,608,000 shares of the Company owned by China Life Reinsurance Company Ltd.

Save as disclosed above, as at 31 December 2017, the Directors have not been notified by any person (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

Specific enquiry has been made of 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 FY 2017. 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

The Company repurchased a total of 5,000,000 shares of the Company on the Stock Exchange during FY 2017 as set out below:

Month	Number of Shares repurchased	Repurchase price per share Highest (Including service charge)	Lowest (Including service charge)	Aggregate price paid (Including service charge)
		HK$	HK$	HK$'000
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 FY 2017.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executive's interests and short positions in shares, underlying shares and debentures of the Company or its associated corporations" and in the section "Share Option Scheme", at no time during the FY 2017 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial Shareholders or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any conflict of interests with the Group.

CONNECTED TRANSACTIONS

Particulars of the non-exempt connected transaction and continuing connected transactions are set out below:

Connected Transaction

Investment of a fund

On 15 November 2017, BII Zhuoyue entered into the Partnership Agreement ("**Partnership Agreement**") with, among others, 14 limited partners (including BII, Metro Land, Cornerstone International, Cornerstone Administration Company, Jiuzhouyigui) and a general partner (Cornerstone Administration Centre), in relation to the establishment and management of a fund, i.e, Cornerstone Lianying (the "**Fund**"). The Fund was registered in the PRC as a limited partnership with the primary objective of investment in railway transportation and related industries. The Fund shall make equity investment in growing enterprises which are leading enterprises in the market segment in industries including information technology, energy conservation and environmental protection, and production and manufacture of new material and advanced equipment. The total capital commitment of the Fund will be RMB313 million (equivalent to approximately HK$369.34 million). As the limited partner, BII Zhuoyue contributed RMB25,000,000, and owns approximately 7.99% of the equity interests in the Fund. The general partner and the limited partners of the Fund shall fulfill their capital commitment pursuant to the Partnership Agreement.

As at the date of Partnership Agreement, BII held 1,157,634,900 shares of the Company, representing approximately 55.00% of the then issued share capital of the Company through BII HK, therefore is the controlling shareholder of the Company, and hence a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. In addition, BII (its associates or together with their fellow associates) are interested in more than 30% of equity interests in each of Cornerstone Administration Centre, Metro Land, Cornerstone International, Cornerstone Administration Company and Jiuzhouyigui, and therefore each of them is a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. The term of the Fund shall be five years. The term of the Fund may be further extended subject to the approval in the partners' meeting. Details of the investment in the Fund were set out in the announcement of the Company dated 15 November 2017 and 16 November 2017.

Continuing Connected Transactions

Save as disclosed below, no other transactions are required to be disclosed as continuing connected transactions in accordance with the requirements of the Listing Rules.

1. **Framework agreement entered into between the Company and Beijing Metro Network Administration Co., Ltd. (北京軌道交通路網管理有限公司) ("Beijing Metro Network Co.,")**

   Reference is made to the announcement of the Company dated 11 May 2016 and the circular of the Company dated 1 June 2016, the Company entered into the Beijing Metro Network Framework Agreement for a period commencing from 1 July 2016 and ending on 30 June 2019 (both days inclusive).

   As of 11 May 2016, Beijing Metro Network was wholly owned by BII which also wholly owned BII HK. BII HK, as a Shareholder, held approximately 34.12% of the issued share capital of the Company. Under 14A.07 of the Listing Rules, since Beijing Metro Network was an associate of BII HK, hence it was regarded as a connected person of the Company. Accordingly, under Chapter 14A of the Listing Rules, the Beijing Metro Network Framework Agreement constituted continuing connected transaction of the Company.

   Pursuant to the Beijing Metro Network Framework Agreement, the Company agrees to provide, and procure members of the Group to provide (i) consultation and technical support services; (ii) maintenance services; and (iii) information technology support services and other ancillary services that parties thereto agree in writing from time to time (collectively, the "**Beijing Metro Network Services**") to Beijing Metro Network during the term of the Beijing Metro Network Framework Agreement, provided that (i) the member of the Group is awarded the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the Beijing Metro Network Services.

   Pursuant to the Beijing Metro Network Framework Agreement, parties thereto will enter into individual agreements for the provision of the Beijing Metro Network Services. Pursuant to the Beijing Metro Network Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered by the Group shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors. Further details regarding the Beijing Metro Network Framework Agreement and related continuing connected transactions were set out in the announcement and the circular of the Company dated 11 May 2016 and 1 June 2016 respectively.

   There has been a long-standing business relationship between the Group and Beijing Metro Network Co.,. The Directors consider Beijing Metro Network Co., is a reliable business partner to the Group and further business cooperation will be beneficial to and provide a steady income stream to the Group.

   For the year ended 31 December 2017, the total transaction amount carried out under the Beijing Metro Network Framework Agreement amounted to HK$111.42 million.

2. **Framework agreement entered into between the Company and Beijing MTR Construction Administration Corporation Limited (北京市軌道交通建設管理有限公司) ("Beijing MTR Construction")**

Reference is made to the announcement of the Company dated 11 May 2016 and the circular of the Company dated 1 June 2016, the Company entered into the Beijing MTR Construction Framework Agreement for a period commencing from 1 July 2016 and ending on 30 June 2019 (both days inclusive).

As of 11 May 2016, BII ERG was a non-wholly owned subsidiary of the Group. Beijing Metro Consultation Co.,Ltd.* (北京城市軌道交通諮詢有限公司) ("**Beijing Metro Consultation**") was a substantial shareholder of BII ERG holding 10% of the equity interest in BII ERG, and hence a connected person of the Group. Beijing MTR Construction is the holding company of Beijing Metro Consultation which holds 93% of the equity interests in Beijing Metro Consultation, hence Beijing MTR Construction is an associate of Beijing Metro Consultation and also a connected person of the Group under Rule 14A.07 of the Listing Rules.

Beijing MTR Construction was one of the customers of BII ERG. BII ERG provided transportation system design, installation and maintenance services to Beijing MTR Construction for the line-level systems of the Beijing Subway. Following completion of the Innovation Acquisition, Beijing MTR Construction (being an associate of Beijing Metro Consultation) becomes a connected person of the Company under Rule 14A.07 of the Listing Rules. The transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to the Beijing MTR Construction Framework Agreement, the Company agrees to provide, and procure members of the Group to provide (i) consultation and technical support services; (ii) maintenance services; and (iii) information technology support services and other ancillary services that parties thereto agree in writing from time to time (collectively, the "**Beijing MTR Construction Services**") to Beijing MTR Construction during the term of the Beijing MTR Construction Framework Agreement, provided that (i) the member of the Group is awarded the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the Beijing MTR Construction Services.

Pursuant to the Beijing MTR Construction Framework Agreement, parties thereto will enter into individual agreements for the provision of the Beijing MTR Construction Services. Pursuant to the Beijing MTR Construction Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered by the Group shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors. Further details regarding the Beijing MTR Construction Framework Agreement and related continuing connected transactions were set out in the announcement and the circular of the Company dated 11 May 2016 and 1 June 2016 respectively.

There has been a long-standing business relationship between the Group and Beijing MTR Construction. The Directors consider Beijing MTR Construction is a reliable business partner to the Group and further business cooperation will be beneficial to and provide a steady income stream to the Group.

For the year ended 31 December 2017, the total transaction amount carried out under the Beijing MTR Construction Framework Agreement amounted to HK$5.81 million.

3. Tenancy agreements in relation to leasing of properties for the year ended 31 December 2017

On 27 March 2017, Beijing Metro Network entered into a tenancy agreement (collectively, "**2017 Tenancy Agreements**") with BII ERG, BII Zhuoyue and ERG (BJ) ("**the Tenants**"), whereby the Tenants leased properties from Beijing Metro Network for a term of one year from 1 January 2017 to 31 December 2017.

The consideration in respect of the transactions contemplated under the 2017 Tenancy Agreements for the year ended 31 December 2017 was RMB4,666,397.25 (equivalent to approximately HK$5,216,766.07), which was calculated with reference to the aggregate annual rental payable by the Tenants to Beijing Metro Network pursuant to the 2017 Tenancy Agreements.

The terms of the 2017 Tenancy Agreements (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The rental payment will be paid in cash in one-off within 10 days after signing of the 2017 Tenancy Agreements. Details of the transactions contemplated under the 2017 Tenancy Agreements were set out in the announcement of the Company dated 27 March 2017.

As at the date of such announcement, BII HK held 1,157,634,900 Shares in the Company, representing approximately 54.91% of the then issued share capital of the Company. BII HK was a substantial shareholder of the Company and a connected person of the Company. BII was the sole beneficial shareholder of BII HK and Beijing Metro Network. Accordingly, Beijing Metro Network was an associate of BII and BII HK, and would therefore become a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the 2017 Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

4. Tenancy agreements in relation to leasing of properties for the year ending 31 December 2018

On 28 December 2017, Beijing Metro Network entered into a tenancy agreement (collectively, "**2018 Tenancy Agreements**") with the Tenants, whereby the Tenants leased properties from Beijing Metro Network for a term of one year from 1 January 2018 to 31 December 2018.

The consideration in respect of the transactions contemplated under the 2018 Tenancy Agreements for the year ending 31 December 2018 was RMB4,666,397.25 (equivalent to approximately HK$5,506,348.76, which was calculated with reference to the aggregate annual rental payable by the Tenants to Beijing Metro Network pursuant to the 2017 Tenancy Agreements.

The terms of the 2018 Tenancy Agreements (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The rental payment will be paid in cash in one-off within 10 days after signing of the 2018 Tenancy Agreements. Details of the transactions contemplated under the 2018 Tenancy Agreements were set out in the announcement of the Company dated 28 December 2017.

As at the date of such announcement, BII HK held 1,157,634,900 Shares in the Company, representing approximately 55% of the then issued share capital of the Company. BII HK was a substantial shareholder of the Company and a connected person of the Company. BII was the sole beneficial shareholder of BII HK and Beijing Metro Network. Accordingly, Beijing Metro Network was an associate of BII and BII HK, and would therefore become a connected person of the Company under Rule 14A.07 of the Listing Rules. Accordingly, the transactions contemplated under the 2018 Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor to report on the Group's continuing connected transactions and the auditor has confirmed that the Group's continuing connected transactions are in accordance with Rule 14A.56 of the Listing Rules and has issued an unqualified letter containing their findings and conclusions accordingly.

The independent non-executive Directors have confirmed that the continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions set out above.

Details of material related party transactions entered into by the Group are set out in Note 26 to the consolidated financial statements. Except for those described in the section of "Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Save for the incorporation of BII Xin An as disclosed in the paragraph headed "Significant investments held and future plans" of this annual report and Note 28 to the consolidated financial statements as well as the declaration of dividend as disclosed in the paragraph headed "Final dividend", there is no other material events after the reporting period as at the date of this report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, there is sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

DONATIONS

No charitable and other donations were made by the Group during FY 2017.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as disclosed on pages 27 to 29 of this annual report, no equity-linked agreements were entered into by the Company, or existed during FY 2017.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

The Group recognises its responsibility to protect the environment when conducting its business activities. The Group continually seeks to identify and manage environmental impacts attributable to its operational activities in order to minimise these impacts if possible. The Group aims to maximise energy conservation in its offices by promoting efficient use of resources and adopting green technologies. For instance, the Group continues to upgrade equipment such as lighting and air conditioning systems in order to increase overall operating efficiency. To identify energy efficiency opportunities, the Group measures and records the energy consumption intensity from time to time. The Group develops the Beijing Municipal Domestic Waste Disposal Facilities Integrated Circuit Card Measurement System. Details of the project are set out in the section of "2017 ESG Reporting" on page 52 to 79 of this annual report.

AUDITORS

The consolidated financial statements for FY 2017 were audited by KPMG and they have issued an unqualified opinion. KPMG shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution to re-appoint KPMG as auditors of the Company and to authorise the Directors to fix the auditors' remuneration will be proposed at the AGM.

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

Hong Kong, 27 March 2018

* *For identification purposes only.*

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the Corporate Governance Report for FY 2017.

CORPORATE GOVERNANCE PRACTICES

The Board believes that maintaining high standard of corporate governance practices is crucial to safeguarding shareholders' and stakeholders' interests, formulating business strategies and policies as well as enhancing corporate value, transparency and accountability.

The Company has applied the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules (the "**CG Code**"). For FY 2017, the Company was in compliance with the CG Code.

BOARD OF DIRECTORS

Board Composition

The Board currently has nine Directors, comprising two executive Directors, four non-executive Directors and three independent non-executive Directors. During FY 2017, Mr. Shao Kai resigned as executive Director on 25 January 2017 and Dr. Tian Zhenqing resigned as non-executive Director on 28 February 2017. Details of the Board composition are set out below:

Executive Directors

Ms. Xuan Jing	(Chief Executive Officer)
Mr. Cao Wei	(Vice Chairman and member of the Remuneration Committee)

Non-executive Directors

Mr. Guan Jifa	(Chairman and chairman of the Nomination Committee)
Mr. Hao Weiya	
Mr. Ren Yuhang	(appointed on 28 February 2017)
Mr. Zheng Yi	(appointed on 25 August 2017)

Independent Non-executive Directors

Mr. Bai Jinrong	(Chairman of the Remuneration Committee and members of the Audit Committee and the Nomination Committee)
Mr. Luo Zhenbang *(CPA)*	(Chairman of the Audit Committee)
Mr. Huang Lixin	(members of the Audit Committee, the Remuneration Committee and the Nomination Committee)

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules.

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and senior management" on pages 18 to 23 of this annual report. None of the members of the Board is related to one another.

Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are segregated to ensure their respective independence, accountability and responsibility. On 28 February 2017, Mr. Guan Jifa was appointed as the Chairman in place of Dr. Tian Zhenqing following Dr. Tian Zhenqing's resignation as non-executive Director on the same day, and Ms. Xuan Jing was appointed as the Chief Executive Officer in place of Mr. Cao Wei. The Chairman provides leadership and is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally. There is a clear division of responsibilities between the Chairman and Chief Executive Officer which provides a balance of power and authority.

Independent non-executive Directors

The Board consists of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise at all times during FY 2017.

The Company has received written annual confirmation from each independent non-executive Director in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and re-election of Directors

Each of the executive Directors has entered into a service agreement with the Company for a term of three years which can be terminated by either party by giving to the other not less than one month's prior written notice. Each of the non-executive Directors (including independent non-executive Directors) has entered into a letter of appointment with the Company for a fixed term of three years which can be terminated by the Company by not less than three months' prior written notice.

According to Article 16.2 of the Articles, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting.

According to Article 16.3 of the Articles, the Company may from time to time increase or reduce the number of Directors in general meeting by ordinary resolution but so that the number of Directors shall not be less than two. Subject to the provisions of these Articles and the Companies Law, Cap. 22 of the Cayman Islands, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election thereat.

According to Article 16.18 of the Articles, at every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. Any Director appointed pursuant to Article 16.2 or 16.3 of the Articles shall not be taken into account in determining which Directors are to retire by rotation. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

ROLE AND RESPONSIBILITIES OF THE DIRECTORS

The Board has overall responsibility for the leadership and control of the Group, including the responsibilities for the formulation of long-term strategies, and appointing and supervising senior management to ensure that the operation of the Company is conducted in accordance with the objective of the Group; and is collectively responsible for directing and supervising the Group's affairs.

The Board directly, and indirectly through its committees, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

BOARD MEETINGS

The Board meets regularly (at least four times a year) to discuss and approve the overall strategies and policies, monitor the financial and operational performance, review corporate governance practices, consider and approve the financial results as well as other significant matters of the Group. Additional meetings are convened as and when the Board considers necessary. In case where conflict of interest arises involving a substantial shareholder or a Director, such matter will not be dealt with by written resolutions. Independent non-executive Directors with no conflict of interest will deal with such issues involving conflict of interest.

A tentative schedule for regular Board meetings for each year is provided to Directors at the beginning of each calendar year. Notice of at least 14 days will be given to all Directors for all regular Board meetings and the Directors can include matters for discussion in the agenda if necessary. Agenda and accompanying Board papers in respect of regular Board meetings are sent out in full to all Directors within 7 days and at least 3 days before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

All Directors have access to Board papers and related materials, and are provided with adequate information on a timely manner, which enable the Board to make an informed decision on matters placed before it.

Four regular Board meetings and seven extraordinary Board meetings were held during FY 2017. The attendance record of each Director at the Board meetings is set out below:

Name of Directors	Meetings attended/Number of meetings Regular Board meeting	Extraordinary Board meeting
Executive Directors		
Mr. Cao Wei *(Vice Chairman)*	4/4	7/7
Ms. Xuan Jing *(Chief Executive Officer)*	4/4	7/7
Mr. Shao Kai (Note 1)	–/–	1/1
Non-Executive Directors		
Mr. Guan Jifa *(Chairman)*	4/4	7/7
Mr. Hao Weiya	4/4	7/7
Mr. Ren Yuhang (Note 2)	4/4	5/5
Mr. Zheng Yi (Note 3)	1/1	2/2
Dr. Tian Zhenqing (Note 4)	–/–	2/2
Independent Non-Executive Directors		
Mr. Bai Jinrong	4/4	7/7
Mr. Luo Zhenbang *(CPA)*	4/4	7/7
Mr. Huang Lixin	4/4	7/7

Notes:
(1) Mr. Shao Kai resigned as executive Director on 25 January 2017;
(2) Mr. Ren Yuhang was appointed as non-executive Director on 28 February 2017;
(3) Mr. Zheng Yi was appointed as non-executive Director on 25 August 2017;
(4) Dr. Tian Zhenqing resigned as non-executive Director and Chairman on 28 February 2017.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the aforesaid committees have been posted on the Company's website and the website of Hong Kong Exchanges and Clearing Limited ("**HKEX**") and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Board Composition" in this Corporate Governance Report.

Audit committee

The Company established the Audit Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.21 and 3.22 of the Listing Rules. On 30 December 2015, the Board adopted the revised written terms of reference which became effective on 1 January 2016. 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 CG Code.

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

The Audit Committee held two meetings during FY 2017 to, among others, review the interim and annual financial results and reports of the Group and significant issues on financial reporting, operational and compliance controls. The Audit Committee also reviewed the effectiveness of the Group's risk management and internal control systems, internal audit function and compliance procedures, and considered matters regarding appointment of external auditors, relevant scope of works and connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without presence of the executive Directors.

The attendance record of each member at the Audit Committee meetings is set out below:

	Meetings attended/ Number of meetings
Mr. Luo Zhenbang *(CPA) (chairman of the Audit Committee)*	2/2
Mr. Bai Jinrong	2/2
Mr. Huang Lixin	2/2

Remuneration Committee

The Company established the Remuneration Committee on 8 December 2011 with written terms of reference in compliance with Rules 3.25 and 3.26 of the Listing Rules. The written terms of reference of the Remuneration Committee was adopted in compliance with code provision B.1.2 of the CG Code.

The primary duties of the Remuneration Committee are to review and make recommendations to the Board on the remuneration packages of executive Directors, non-executive Directors and senior management and overall remuneration policy and structure relating to all Directors and senior management of the Group, and establish transparent procedures for developing such remuneration policy and structure and to ensure that none of the Directors or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held three meetings during FY 2017 to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the Directors and senior management. Details of the remuneration of senior management are set out in Note 9 to the consolidated financial statements in this annual report.

The Remuneration Committee also made recommendations to the Board on the terms of letters of appointment of the new non-executive Directors appointed during the year.

The attendance record of each member at the Remuneration Committee meetings is set out below:

	Meetings attended/ Number of meetings
Mr. Bai Jinrong *(chairman of the Remuneration Committee)*	3/3
Mr. Cao Wei	3/3
Mr. Huang Lixin	3/3

Nomination Committee

The Company established the Nomination Committee on 8 December 2011 with written terms of reference in compliance with code provisions A.5.1 and A.5.2 of the CG Code. The Nomination Committee adopted a board diversity policy on 30 August 2013 to achieve diversity on the Board which was subsequently revised on 6 December 2013.

The primary duties of the Nomination Committee are to review the structure, size, diversity and composition of the Board on a regular basis; develop and formulate relevant procedures for the nomination and appointment of Directors; identify individuals suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience, etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption. In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective in implementing the Board diversity policy.

The Nomination Committee held three meetings during FY 2017 to discuss and review the structure, size and composition of the Board and the independence of the independent non-executive Directors as well as matters regarding appointment and retirement and re-election of Directors at annual general meeting.

The attendance record of each member at the Nomination Committee meetings is set out below:

	Meetings attended/ Number of meetings
Mr. Guan Jifa *(chairman of the Nomination Committee)**	2/2
Mr. Bai Jinrong	3/3
Mr. Huang Lixin	3/3
Dr. Tian Zhenqing *	1/1

* Dr. Tian Zhenqing resigned and Mr. Guan Jifa was appointed as the chairman of the Nomination Committee on 28 February 2017.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in code provision D.3.1 of the CG Code.

The Board determines the Company's corporate governance policies and performs corporate governance duties set out in the CG Code. Its corporate governance duties include, among others, (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal or regulatory requirements; and (iv) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised the Securities Dealing Code on terms no less exacting than the required standard of dealings set out in the Model Code. The Company customarily issues notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. Having made specific enquiry of the Directors, all the Directors confirmed that they have complied with the required standards set out in the Securities Dealing Code and the Model Code throughout FY 2017. The Securities Dealing Code also applies to employees to whom the Securities Dealing Code was given. The Company was not aware of any non-compliance of the Model Code for FY 2017.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and officers that may arise out of the corporate activities. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Induction materials and relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to directors, duty of disclosure of interests and business in the Group will be provided to newly appointed Directors shortly upon their appointment as Directors to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Continuing briefings and professional development to Directors will be arranged when necessary. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During FY 2017, the Company organised a training session for all the Directors on the Listing Rules, duty of disclosure of interests in the Group and other applicable laws and guidances issued by the Stock Exchange to ensure compliance and awareness of the regulatory requirements, and all Directors attended the training.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness in order to safeguard the interests of the Shareholders and the assets of the Company against unauthorised use or disposition, ensuring maintenance of proper books and records for the provision of reliable financial information, and ensuring compliance with the relevant rules and regulations. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including project management, sales and leasing, financial reporting, human resources and information technology.

The Company's risk management and internal control systems have been developed with the following principles, features and processes:

In compliance with the requirement of CG Code, the Company has established relevant risk management and internal control systems, covering corporate governance and system, business and financial processes. The systems served as a reasonable guarantee of the legal compliance of the operation and management of the Company, its asset security and truthfulness and completeness of its financial reports and relevant information and increased the operational efficiency and performance of the Company, which provided strong guarantee for the implementation of the Company's development strategies.

In order to further regulate the internal control management of the Company and effectively prevent internal risks, the "Internal Control Handbook of BII Railway Transportation Technology Holdings Company Limited" was prepared according to the "Guidelines for Corporate Internal Control", which was jointly issued by five ministries and commissions including the Ministry of Finance as well as the relevant regulatory requirements of the Hong Kong Stock Exchange and the actual management situation of the Company. The internal control system of the Company regulates the internal management procedure of the Company by ten controlling aspects, namely organisational structure, fund management, financial reporting, procuring business, outsourcing business, sales business, research and development management, project management, contract management and information system. It identifies the risks in the internal management of the Company and provides relevant control measures to prevent the risks. The Company performs annual reviews on these systems in order to monitor its operational situation in a timely manner, and revises or abolishes some regulations in accordance with relevant national laws and regulations and actual conditions of the Company.

All departments conducted internal control assessment regularly to identify risks that potentially impact the business of the Group and various aspects including key operational and financial processes, regulatory compliance and information security. Self-evaluation has been conducted annually to ensure that control policies are properly complied with by each department.

The Company has set up departments dedicated to daily examination and supervision of internal control, and designated internal control examination and supervision personnel according to the relevant requirements and conditions of the Company to inspect and monitor the regular test on internal control procedures of all functional departments of the Company and all subsidiaries. The Company mainly reviews the compliance of internal control procedures that have higher risk, such as setting up of project, tendering, project budget review and procurement to ensure the compliance of business activities. The Company makes improvement recommendations in respect of audit's findings and request the relevant management of the Company to confirm the rectification plan, methods and the timing. The Company regularly follows up the status of the implementation of the audit recommendations to ensure the execution of such improvement plans. At the same time, the Company review and assess the truthfulness, accuracy, compliance and effectiveness of the project financial activities of the Company and information of financial expenses as well as the Company's funds, management and usage of assets, and strictly monitor the annual budget and expenditure.

The management of the Company provides enough resources for the accounting, internal review and financial reporting functions, hires financial personnel with sufficient qualifications and provides various financial control and project risk control training to the staff. The management, in coordination with all department heads, assesses the likelihood of risk occurrence and provides response plans, and monitors the risk management procedures, and reports to the Audit Committee and the Board on all findings and the effectiveness of the system. Internal legal and audit department is responsible for reviewing the adequacy and effectiveness of risk management and internal control system independently, investigates key matters related to accounting practice and all significant control issues, and reports its finding and suggestions for improvement to the Audit Committee.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for FY 2017.

The Board, as supported by the Audit Committee and with the management report and the internal audit findings, reviewed the risk management and internal control systems including the financial, operational and compliance controls for FY 2017, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources of the Company.

Whistleblowing procedures are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Company has developed its disclosure policy which provides a general guide to the Directors, the Company's officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Company for FY 2017 and ensure that the financial statements are prepared in accordance with applicable statutory requirements and financial reporting standards. Appropriate accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made.

Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Company's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

The statement of the external auditor of the Company regarding their reporting responsibilities on the financial statements of the Group is set out in the Independent Auditor's Report on pages 80 to 89 of this annual report.

AUDITORS' REMUNERATION

The fees paid and payable to the Company's external auditors in respect of their audit and non-audit services provided to the Company for FY 2017 were as follows:

	Amount HK$'000
Type of services	
Statutory audit services	3,237
Non-statutory audit services	622
	3,859

COMPANY SECRETARY

The Company has engaged Tricor Services Limited as external service provider, and Ms. Siy Ling Lung has been appointed as the Company's company secretary in place of Ms. Ng Sin Yee, Clare following Ms. Ng's resignation as company secretary on 17 October 2017. Ms. Siy's current primary contact person at the Company is Mr. Wang Xinjiang, chief financial officer of the Company.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters.

INVESTOR RELATIONS AND COMMUNICATION WITH SHAREHOLDERS

The Board recognises the importance of good communications with the Shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations and investor understanding of the Group's business performance and strategies. The Company is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public.

The Company updates its Shareholders on its latest business developments and financial performance through its corporate publications including interim and annual reports as well as other announcements and circulars. The Company maintains its website (www.biitt.cn) to provide a communication channel for the public and its shareholders. All corporate communication and the Company's latest updates are available on the Company's website for public information.

The annual general meeting or extraordinary general meeting ("**EGM**") of the Company provide opportunities for direct communication between the Shareholders and the Board and the Directors are available to meet the Shareholders and answer their questions. During FY 2017, an annual general meeting and an EGM were held.

The attendance record of each Director at the general meetings is set out below:

Name of Directors	Meetings attended/Number of meetings Annual General Meeting	Extraordinary General Meeting
Executive Directors		
Mr. Cao Wei *(Vice Chairman)*	1/1	1/1
Ms. Xuan Jing *(Chief Executive Officer)*	1/1	0/1
Mr. Shao Kai (Note 1)	–/–	–/–
Non-Executive Directors		
Mr. Guan Jifa *(Chairman)*	1/1	1/1
Mr. Hao Weiya	1/1	1/1
Mr. Ren Yuhang	1/1	1/1
Mr. Zheng Yi (Note 2)	–/–	–/–
Dr. Tian Zhenqing (Note 3)	–/–	–/–
Independent Non-Executive Directors		
Mr. Bai Jinrong	1/1	1/1
Mr. Luo Zhenbang	0/1	0/1
Mr. Huang Lixin	0/1	1/1

Notes:
(1) Mr. Shao Kai resigned as executive Director on 25 January 2017;
(2) Mr. Zheng Yi was appointed as non-executive Director on 25 August 2017;
(3) Dr. Tian Zhenqing resigned as non-executive Director and Chairman on 28 February 2017.

During the year under review, the Company has not made any changes to its Articles. The latest version of the Company's Articles is available on the Company's website and the Stock Exchange's website.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of HKEX after each general meeting.

The Company engages with Shareholders through various communication channels and a shareholders' communication policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Procedures for Shareholders to Convene an EGM

According to Article 12.3 of the Articles, EGM of the Company may be convened on the written requisition of any two or more members of the Company or any one member of the Company where the member is a recognised clearing house (or its nominee(s)) deposited at the principal place of business of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the EGM in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to them by the Company.

Procedures for Shareholders to Put Forward Proposals at Shareholders' Meetings

There are no provisions in the Articles or the Companies Law of the Cayman Islands for putting forward proposals of new resolutions by the shareholders at general meetings. Shareholders who wish to move a resolution may request the Company to convene an EGM in accordance with the procedures set out in the preceding paragraph to consider the business specified in the requisition. For proposing a person for election as a Director, please refer to the "Procedures for shareholders to propose a person for election as a director of the Company" posted on the Company's website.

Procedures for Shareholders to Direct Enquiries to the Board

For putting enquiries to the Board, the Shareholders can contact the Company as follows:

Address:	Unit 4407, 44th Floor, COSCO Tower 183 Queen's Road Central Sheung Wan Hong Kong
Email:	IR@biitt.cn
Tel:	(852) 2545 1555
Fax:	(852) 2805 2488
Attention:	The Board of Directors c/o Investor Relations Department

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders shall contact the Company's Hong Kong branch share registrar and transfer office as follows:

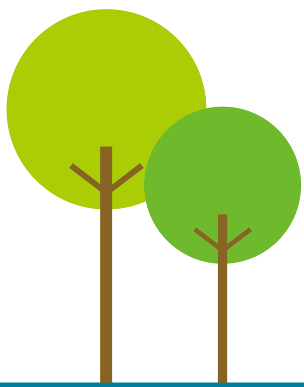
Address:	Tricor Investor Services Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses, where appropriate, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 2545 1555 for any assistance.

2017 ESG REPORTING

This report is the second annual Environmental, Social and Governance ("ESG") Report ("Report") of the Company. This report mainly introduces the Company's effort on the environmental, social and governance and other aspects, in order to strengthen the connection and understanding among the various stakeholders.



0. OVERVIEW OF THE REPORT

This report is the second Environmental, Social and Governance Report published by the Company in response to the expectations of the stakeholders while demonstrating the philosophy, actions and results of the Company in connection with environment, society and governance as well as sustainable development.

Main scope of the Report

The Company and its domestic and foreign branches and wholly-owned subsidiaries.

Time scope

From 1 January 2017 to 31 December 2017.

Preparation basis of the Report

This Report is prepared in accordance with the requirements of "Environmental, Social and Governance Reporting Guide" of The Stock Exchange of Hong Kong Limited.

1. THE COMPANY AND THE ENVIRONMENT

The Group focuses on the field of urban rail transit, and is an industrial group that encompasses investment and financing, technology research and development, intelligence rail transit construction, operation and maintenance, civil communication related information transmission services that rarely produce pollutants during its business process.

In 2017, the Company has no incidents related to material environmental pollutions or excessive emissions.

1.1 Promote energy conservation and emission reduction projects

1.1.1 The Company continuously carries out the "Beijing Municipal Domestic Waste Disposal Facilities Integrated Circuit Card Measurement System" Project

In 2017, the Company continuously made vigorous efforts in developing the Beijing Municipal Domestic Waste Disposal Facilities Integrated Circuit Card Measurement System Project. It uses the IC card to replace the original practice of filling up the environmental sanitation transport paper records by hand, digitises and informationises the data recorded during the disposal and transportation of garbage so as to support the refined management of domestic waste and the payment of related costs.

The project has improved the efficiency of waste disposal, and also demonstrated the Company's positive response to environmental protection.

1.1.2 The Company vigorously develops the "Informationised Infrastructure Construction Project of Beijing Infrastructure Investment Co., Ltd." for realising green environmental protection

The Company vigorously develops the "Informationised Infrastructure Construction Project of Beijing Infrastructure Investment Co., Ltd." as a positive response to the "Overall Implementation Plan of Building Beijing into a Demonstration City of Comprehensive Energy-saving and Emission Reduction Fiscal Policy" issued by Beijing Municipal Development and Reform Commission. With the continuous implementation of the informationised construction and increasing demand for virtualisation, cloud computing and big data from big businesses, the environmental protection requirements on the informationised construction are getting more demanding. The use of virtualisation technology in the"Informationised Infrastructure Construction Project of Beijing Infrastructure Investment Co., Ltd." and the application of virtualisation technology by the data centre had not only reduced electricity fee but also relieved the systematic burden on the server. Through virtualisation technology, a single physical server can serve multiple virtual mainframes, allowing the sharing of computing resources of a single server in multiple environments; through adjusting the loading of server, the computing resources can be fully utilised. One key advantage of applying virtualisation technology is the possibility to create a network infrastructure with high utilisation rate and a stronger and more flexible back-up and disaster recovery platform. The use of the technology can also reduce management and operation costs and cut the emission of carbon dioxide. The use of server virtualisation technology can reduce costs significantly. On average and based on a cycle of one month, compared with the non-virtualised station points which use a multiple number of servers, the virtualisation technology allows enterprises to be more environment-oriented as the operation of a multiple number of servers will generate large volume of heat, which in turn require additional energy consumption for cooling down. In contrast, the application of virtualisation technology can significantly reduce energy consumption. For instance, through virtualisation technology, three servers can perform the same work of 30 servers, which can cut the emission of carbon dioxide by 15 tons to 30 tons and is equivalent to removing seven cars on the highways.

1.1.3 The Company continuously develops the "Beijing Subway Energy Consumption Statistics and Monitoring Platform" Project

The Company actively responds to the "Overall Implementation Plan of Building Beijing into a Demonstration City of Comprehensive Energy-saving and Emission Reduction Fiscal Policy" issued by Beijing Municipal Development and Reform Commission by vigorously developing the "Beijing Subway Energy Consumption Statistics and Monitoring Platform" Project to establish a comprehensive, energy-saving and emission reduction statistics and monitoring system for subway and to integrate various existing energy-saving statistics and monitoring systems and information resources with a view to establishing a regular feedback and communication mechanism. The goal is to realise the refined management of energy consumption of the rail transit and to improve the analytical function that backs up decision makings while identifying factors that influence rail transit energy consumption and controlling various changes. The project is to comprehensively grasp the current situation of energy consumption to provide data supports for setting the energy-saving emission reduction targets for the Beijing Subway.

The analysis on energy consumption of Beijing Subway has a significant meaning on the management and monitoring of energy consumption of rail transit. The business and technical support data collected has high generality and commercial promotion value. The sustainable development of the project by the Company is conducted in strict compliance with the followings:

- "GB 22240-2008-T Information security technology – Classification guide for classified protection of information system"
- "GB 25058-2010-T Information security technology – Implementation guide for classified protection of information system"
- "GB-T 22239-2008 Information security technology – Basic requirements for classified protection of information system"
- "GB 50057 Code for design protection of structures against lightning"
- "GB 50168 Code for construction, inspection and acceptance of cable system of electrical equipment installation engineering project"
- "GB 50174 Code for Design of Digital Information System Room"
- "GB/T 2588 The general principles for calculation of thermal efficiency of equipment"
- "GB/T 2589 The general principles for calculation of total production energy consumption"
- "GB/T 3484 The general principles for energy balance of enterprise"
- "GB/T 6422 Testing guide for energy consumption of equipment"
- "GB/T 8222 The general principles for electricity balance of electricity consuming equipment"

- "GB/T 13234 Calculating methods of energy saved by enterprise"
- "GB/T 15316 General principles for energy saving monitoring technique"
- "GB/T 15587 Guideline for energy management of industrial enterprise"
- "GB/T 17166 General principle of energy audit technique of enterprise"
- "GB/T 23331 Requirements of energy management systems"
- "GB/T 25329 General principles of preparation of energy conservation plan for enterprise"
- "DGJ32/TJ132 Technical Specification of Energy Management System for Urban Rail Transit"
- "Highway and Water Transportation Energy Conservation and Emission Reduction "Twelfth Five Year Plan" (Jiao Zheng Fa Fa [2011] no. 315) by the Ministry of Transport"
- "Overall Implementation Plan of Building Beijing into a Demonstration City of Comprehensive Energy-saving and Emission Reduction Fiscal Policy (2012-2014) by Beijing Municipal Development and Reform Commission"
- "System of Code for Establishing Beijing Energy Conservation Monitoring Service Platform"
- "Temporary Requirements for the Establishment of Rail Transit Energy Management System in Beijing"
- Project Management System of the Company

1.1.4 Addition of Screening Door System and Safety Door System for trains to reduce energy consumption in operation for achieving safety and protection

The close ended screening door is a completely close ended safety door system, which can create a separate space between the platform and railway areas, thereby maximising the shielding to prevent the mixture of cold air and warm air alongside the railway and platform while allowing minimal inflow of polluted air such as the air in the subway areas and the dust alongside the railways. So, it facilitates the reduction of energy consumption in operation of platform and enhancement of the utility rate of air-conditioning and ventilation of the open area in platform as well as significantly improving the environment of the waiting area for train passengers. It has the inherent advantages of energy conversation and emission reduction, and meets the requirements for sustainable development, and can be considered as a measure for promoting people's welfare through improvement of resource environment. Semi-close ended screening door as well as semi-height safety door are principally designed for safety and protection purposes in order to ensure safe journeys for the general public. The safety door system of platform creates a physical separation between the railways and the trains, which indirectly reduces the transmission of noise upon the passing of trains through the platform while indirectly enhancing the sound effect of broadcast system within the station area, thus providing passengers in journey with a waiting area for trains with extra comforts.

The implementation process of safety door project of the Company strictly complies with the relevant laws and regulations for safe and civilised construction. Meanwhile, the requirements of Beijing local standards, in specific the "Regulation on Controlling Noise and Vibration of Subway" (DB/T838 2011), are strictly complied, in order to ensure that the noise made from the opening and closing of safety doors along the Beijing S1 Line can be kept under 70dB, and the noise made from the operation of safety doors along the Beijing S2 Line can be kept under 70dB.

1.2 Adhere to low-carbon operation work model

To fully implement the "Decision of the State Council on Implementing the Scientific View of Development, and Strengthening Environmental Protection", conscientiously abide by the national and local environmental protection rules and regulations, and strictly implement national and local pollutant discharge standards, the Company actively establishes the concept of green wealth, promotes ecological civilisation, advocates the Company's green business and green consumption, and actively guides employees' activities to carry out resources conservation, such as water, electricity and so on to promote resource recycling and its effective use, improve resource utilisation efficiency and reduce resource consumption.

The Company actively explores the construction solutions of an innovative low-carbon company, focusing on building low-carbon, green and environmentally friendly modes of work, promoting low-carbon behavior and unifying information system construction. The Company introduced the Office Automation ("OA") system to achieve an automated and paperless office, in order to improve office efficiency, so that employees can quickly get hold of the latest information of the Company, thereby realising the concept of mobile office at any time and anywhere. The Company promotes low-carbon development in the workplace and encourages employees to practice low-carbon ideas in the areas of clothing, dining, living, consumption and transportation. People are encouraged to adopt low-carbon transportation methods such as walking, cycling, public transport, carpooling, taking a lift, and to use conference call, video conferencing and internet conferencing and so on.

The Company takes climatic conditions into thorough consideration, maximises the use of natural lighting and ventilation, and the use of new LED lights instead of old fluorescent tubes. Since 2017, the Company has realised the effective use of resources by extending the useful life of computers through renewing the hardware and software; the efficiency of usage regarding fixed assets is enhanced, for which the scope and standard of sourcing are clearly defined, and those usable notebooks and monitors after completion of projects will be included in the separate audit account to prevent any waste of assets and to reduce pollution to the environment owing to improper disposal of electronic equipment waste. In addition, the Company prohibits smoking in the office area in order to create a smoke-free and safe office environment.

Currently, BII ERG has passed the ISO14001 environmental management system certification. The Company has reached international standards in environmental management and has met the relevant requirements in the control of various types of pollutants generated in various processes and activities.

ERG Transit Systems (HK) Limited takes continuous steps to build green offices. Its overall vision is to highlight the practices of environmental protection of workplaces and enhance of energy efficiency. The low-consumption function is integrated in product designs; the electricity consumed for ticket vending machines in static mode is kept under 0.24 kwh, and the machines will be shifted to sleep mode automatically when not being operated. The directions implemented for environmental protection by us include the use of energy-saving LED lights and EnergyStar verification computers, paperless offices, low-carbon multi-functional equipment and so on. These measures can help improve the overall energy efficiency in the headquarters to save energy and resources, and thus minimise our carbon footprint. The annual electricity consumption of the Company in 2017 is 176,641 kwh.

2. PRODUCT INNOVATION AND CUSTOMER RELATIONSHIPS

2.1 Product innovation

Enterprise is the main driver and beneficiary of innovation. The strengthening of the research and development ("R&D") management of the enterprise is not only the inevitable choice to promote enterprise technological innovation and enhance core competitiveness but also an important guarantee to enhance segmental innovation and to drive the development level.

Since the establishment of research centre in 2015, the Company has been keeping abreast of the innovation in the construction, operation and maintenance of urban rail transit network, forming seven self-developed product lines, namely software, ACC, MLC, AFC, TCC, PIS and big data. The construction projects jointly developed by the Company and Beijing Subway have further improved through constantly acquiring experiences and have already acquired the capability of providing whole life-cycle service for urban rail transit construction projects.

The unified Ticket Processing Unit (TPU) developed by the Company has passed the certification audit of the Sixth batch of New Technology and New Products of Beijing in 2017 and received the certificate. TPU was successfully used in phrase one of Line No.16 of Beijing railway transport at the end of December 2016 and the usage of TPU was increased in Beijing railway transport successively in 2017. This type of TPU integrates the business logic treatment of ticket card and can be modified according to the change of business, which relieves the burden of making modification to different readers of existing lines due to change of business and has a strong multi-application supportive effect on unification of Beijing railway transport AFC system construction, ensuring complete network connection and successful operation of newly built railway transportation AFC system, regulating Ticket card's front and end equipment processing and business operation of railway transportation AFC system and ensuring the safety on application of ticket card (including Smart Card and Universal Ticket Card) in the system. At the same time, this type of TPU adds in the function of two-dimensional code scanning, realising the function of entering and exiting stations and travelling through scanning two-dimensional code directly. It meets the payment requirement of Smart Card of the transportation system in Beijing-Tianjin-Hebei, realising interconnection of transportation. The TPU product adds in RSA (a banking card accreditation algorithm) hardware algorithm chip, which provides the speed and safety of the calculation of accreditation and can also realise the usage of UnionPay card in railway transport. The Group will take this as an opportunity to continuously strengthen involvement in scientific research and development of product, develop more products that benefit the people, pay back to the society and fulfill the responsibility and role of a state-owned enterprise.

In 2017, the Company mainly developed three application systems, namely "Internet Plus transaction auditing system (CCS), route clearing system (CMS) and ACC distributed information processing framework", on the ACC product line. The research results were applied to new lines connecting ACC project and ACC Renovation Project of Phase II Fare Renovation of the Company respectively, which further enhance the market competitiveness of the Company.

The Beijing Subway Energy Consumption Statistics and Monitoring Platform, a big data product of the Company, adopts the latest Hadoop big data, Internet of Things, and data mining technologies. Combining with the energy-saving and emission reduction requirements of the Subway, a Subway energy consumption big data platform was set up, and real-time data acquisition, processing, inquiry, analysis and application of the Subway energy consumption equipment were completed. Besides realising data collection on electricity, water, and heat energy consumption of Beijing Subway operation lines that met the pre-requisite conditions, the passenger traffic data of Beijing Subway was accessed successfully at the same time; through the establishment of mathematical models for machine learning and data mining, big data mining technology is used to analyse the changes in the energy consumption of subways, intensify the correlation between energy consumption and related factors, and improve the function of energy management aided decision analysis. In 2017, the Company also completed the development of data access, passenger flow indicators and data management systems for the existing 8 subway lines of the Shenzhen NOCC project. In October of 2017, the index test and simultaneous reflection and backup commissioning of systems were completed, which provides data analysis, data mining, and data support for systems such as statistical analysis and operation evaluation. At the end of November, the development and testing of ticketing and traffic indicators were completed. In order to match with the year end inspection results of Shenzhen Metro, the system switching of the production environment was completed in December, and the development and improvement of the system and the transfer of historical data were continued during the follow-up period.

Currently, the Research Centre of the Company is self-developing the research and development of coding and decoding broadcaster product with embedded PIS system, main unit of ticket cards, operating adjustment tool software, etc..

2.2 Protection of intellectual property rights

2.2.1 Software copyright and patent

Up till now, the Company has self-developed 127 system software packages in city railway transportation and informational safety sector and obtained relevant software copyright. We passed the CMMI-L3 certification in 2015. Such achievements had been widely applied on the construction of line-level and network-level city railway transportation.

Considering the target of long-term sustainable development and maximisation of its interests, the Company takes the strengthening of R&D investment as its core business development strategy.

The Company attaches great importance to the protection of intellectual property rights and intellectual property rights and patent application is one of the key assessment criteria of the Board. The Company assigned a special staff to be responsible for carrying out the work for the protection of intellectual property rights, who at the beginning of each year will according to the Company's development strategies, as well as the work plans of various departments and communication with heads of various levels prepare an "Annual patent and intellectual property rights application plan". Besides, in conjunction with the development progress of projects, the dedicated staff tracks and supervises the patent and intellectual property rights application plan, and urges the relevant departments to submit applications in a timely manner to the Intellectual Property Office and the Copyright Administration.

In 2017, the Company submitted 8 software copyright application plans and 3 patents. In 2017, we actually obtained software copyright for a total of 15 items, 6 appearance design patents and utility model patents.

2.2.2 Strengthen the management of trademark

With the increasingly fierce competition in the global market and the new situation in the development of international intellectual property rights, the Company faces enormous challenges in the acquisition and protection of intellectual property rights. As an intangible asset of the Company, the trademark belongs to the Company's important intellectual property rights, which has the value-added effect and is an important tool for the Company to enhance its brand value and consolidate its market position. Therefore, it is an indispensable means for the Company to maintain sustained competitiveness in the market by establishing a system of sound intellectual property rights management mechanisms and strengthening the effective management of intellectual property rights such as trademarks.

The Company attaches great importance to the management of the trademark. Each year, the Company reviews the Company's registered trademark, and renews, changes, and transfers the trademark according to the situation. After the Company officially changed its name to "BII Railway Transportation Technology Holdings Company Limited" in 2017, in order to effectively protect the intellectual property rights of the Company and maintain the market competitiveness of the Company's brand, the Company organised the relevant trademark registration in a timely manner.

The Company strictly complies with the "Trademark Law of the People's Republic of China", "The People's Republic of China Trademark Law Implementation Regulations" and the "Trade Marks Ordinance" of the Intellectual Property Department of the Hong Kong Special Administrative Region, and assigns special personnel to co-ordinate the work of trademark registration and to be responsible for the collection of data, engaging entrusted agencies and carrying out registration procedures. In September 2017, the Company has submitted a total of 3 trademark registration applications for text, graphics and text plus graphics of "BII Railway Transportation Technology Holdings Company Limited". Currently, all 3 applications have been accepted by the Trademark Office of the State Administration for Industry and Commerce and are at the stage of substantive examination. At the same time, it submitted a total of 9 trademark registration applications for text, graphics and text plus graphics for three wholly-owned and holding companies of the Company in the PRC, which are currently in the acceptance stage; the preliminary announcement of three trademark registrations of the

Company's overseas subsidiary "BII Transit Systems (HK) Company Limited" was released in November 2017. If no opposition feedback is received within the 3-month notice period, which is from February to March 2018, the above three trademark registrations can be completed, and certificates can be obtained. In 2017, the Company applied for a total of 15 trademark registration applications, of which 3 applications for domestic registration are in the substantive examination stage, 9 applications for domestic registration are in the acceptance stage, and 3 applications for overseas registration are in the announcement period.

2.3 Enhance customer satisfaction by maintaining the quality of products and services

2.3.1 Product quality control

The Company always believes that the quality of products and services is the foundation of our Group, and to ensure that our products can provide better services to our customers; this concept is inculcated into the hearts of every employee in their daily work and, forms a solid awareness on the quality of products and services.

Since its establishment, the Company adheres to a standardised, scientific and refined management philosophy and together with its subsidiaries, have passed ISO9000 Quality Control System, ISO14000/ISO18000 Environmental Management and Occupational Health Management System, ITSS – Level II Maturity Model, CMMI Level III Maturity Model, ISO/IEC 27001:2013 (GB/T 22080-2016) Informational Safety and Management System, ISO/IEC 20000-1:2011 Informational Technological Service and Management System Certification Audit and obtained the certificates.

In 2016, the Company carried out multi-system integration, and organised the optimisation and improvement on business management process. In 2017, based on the integration of multiple systems, the promotion and inspection of the actual implementation of multiple management systems was strengthened. The main aspects include two parts: the compliance check of project in progress and the inspection of product quality. In the compliance inspection of project in progress, the main focus is on the quality monitoring during project implementation. At each milestone of the project, QA inspection of the project process compliance is performed to help the project manager monitor the progress of the project according to the plan, identify the personnel and resources required for the project as well as prepare project archives information to ensure project progress, improve project quality, and ensure customer satisfaction. The Company is in compliance with the inspection of the application process and has made progress year by year.

In 2017, the Company strengthened the management and control of self-produced products quality. The production process of the self-produced products, including the inspection of raw materials, the inspection of the various process steps, and the final acceptance of the products, are carried out in accordance with the quality control requirements. The operations management department, the commerce department, the research and development center, and the task force will strengthen the process inspection and factory acceptance work. The qualified rate of products manufactured reaches 100%. The process is also implemented according to the Company's "peer review control procedures," the audit of product quality checks such as needs and design specifications, project plans, test plans and test cases, the decision of whether to conduct regular peer review reviews and continued tracking of the resolution and implementation of issues raised during the review. Judging from the 2017 inspections, the peer review of project products has made great progress from the initial implementation to the current status through incessant efforts.

In 2017, the Company initiated the certification of ISO20000 information technology service management system and ISO27000 information security management system, and successfully passed the certification audit in December 2017. The Company has developed 56 document templates for 31 program files in the information security management system. The information technology service management system has 21 program files and 50 model files. The formulation of the ISO20000 system file will combine the Company's existing three systems of ISO quality to form a set of standard requirements for IT service management, which can better enhance service quality and increase customer satisfaction. The ISO27000 standard is a tool and methodology for managing information security. It can better ensure the confidentiality, integrity and availability of the Company and customer information.

As of the end of 2017, the Company did not experience any product recall incident due to significant quality issue or operational violation.

2.3.2 Customer satisfaction survey and protection of customer information

The Company has established the "Customer relationship management control program", which stipulates the communication mechanism between the Company and the customers during pre-sale, sale and after-sales stage. The operations management department is responsible for discussing and resolving complaints with the customers, and setting up temporary complaint handling working group, which is responsible for the analysis and handling of complaints. The group is also responsible for investigating, recording, taking remedial actions and providing feedback according to customer complaints. As of the end of 2017, the Company did not receive any customer complaint.

The Company conducts satisfaction survey with customers of projects in progress on a half-yearly basis, analyses the result, issues a "Customer satisfaction survey report", and develops and implements improvement plans and programs. For customers with low satisfaction, the department in charge will have to visit the customers, to understand their demands and to discuss on the progress of the improvement plans. In 2017, the Company conducted two customer satisfaction surveys, and conducted a satisfactory survey on 35 projects in progress involving 21 customers and in relation to five aspects , which are progress management, delivery quality, site management, product quality and service quality. The results showed that the two customer satisfaction surveys scored an average of 95 points which satisfies the Company's quality control objectives (greater than or equal to 90 points).

3. THE COMPANY AND THE EMPLOYEES

3.1 Protecting employees' interests

Employees are the cornerstones for the development of the Company, therefore, the Company adheres to the "people-oriented" concept, and constantly strives to improve the human resources system and corporate culture, protect basic rights of employees, concern the demands of employees, build a sound salary system, provide job and salary promotion mechanism, and fully explore the potential of talent with a view to building a platform for the employees to realise their ideals.

In addition to providing the staff with a safe and favourable working environment along with reasonable remuneration and benefits, the Company also provides a full range of protection and care for the staff, enhances staff identity and sense of belonging, creates a healthy, safe, open and equal working environment and unleashes the abilities and potential of employees so that the Company and the employees will keep growing together.

Employment and remuneration benefits

The Company always adheres to fair, just and open employment policies and strictly abides by Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China" and "Regulation on the Implementation of the Employment Contract Law of the People's Republic of China" of the state. It formulates and implements recruitment management methods to provide equal employment opportunities for employees of different nationalities, races, genders and cultural backgrounds. It also clarifies the recruitment management process and eliminates discrimination in terms of gender, race, religion, age, etc. during recruitment and employment. The use of child labor and forced labor is strictly prohibited to create an equal and diverse employment environment. In the recruitment process, the Company's business department is responsible for the assessment of the professional knowledge of the candidates. In the recruitment process, the Company's human resource and administration department is responsible for assessing the qualifications of the candidates in terms of their overall quality, including whether the candidate is of a legal age, whether the academic qualifications are met or not, whether the candidate is applying in his own will and his career development planning. As of 31 December 2017, a total of more than 1,700 resumes were screened, more than 210 interviews were conducted, 50 applicants were employed, including 14 in functional management, 2 in marketing, 11 in software development, 10 in engineering, 10 in frontline operation and maintenance, and 3 interns.

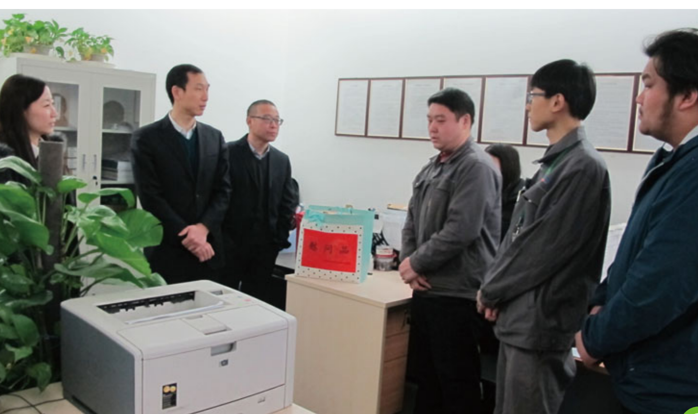
Based on the "Regulation of Beijing Municipality on Payment of Wages", the Company has formulated and implemented the "Remuneration and Benefits Management Approach" to provide employees with market-competitive compensation and benefits that match the performance and take into account internal fairness. The Company's current salary system includes basic salary, performance pay, year-end awards, special incentives, mid-to-long-term incentives and benefits. In addition to contributing the statutory five insurances and one fund, the Company also provides the employees with additional health insurance, accident personal injury insurance and free medical examination. Moreover, the Company provides the employees with statutory holidays, paid annual leave, paid sick leave, marriage leave, maternity leave and funeral leave. The Company's subsidiaries in Mainland China have independent unions, which organise various recreational and sports activities and provide staff with holidays, birthdays and other benefits.

In order to protect the legitimate rights and interests of employees, the Company establishes a sound organisational system and a supporting system to ensure that all staff can reflect problems to the seniors, thus strengthening communication between employees at all levels. Efforts are also made to collect reasonable suggestions from employees, and constantly improve relevant management systems and measures.

Labour standards

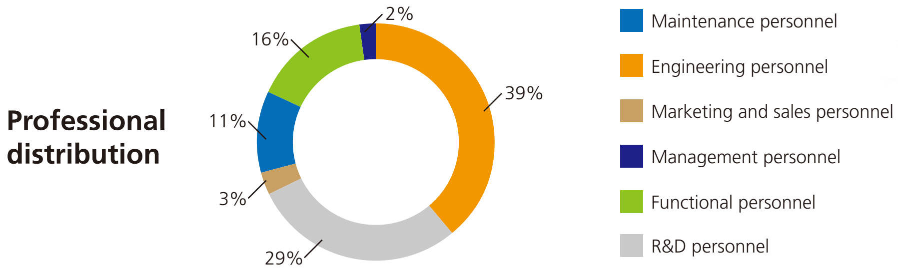
As a subsidiary of Beijing Infrastructure Investment Co., Ltd. (hereinafter referred to as "BII"), which is directly under Beijing Municipal State-owned Assets Supervision and Administration Commission, the Company has been operating legally and in compliance with national laws and regulations such as "the Labor Law of the People's Republic of China"and "Labor Contract Law of the People's Republic of China" in terms of human resources management. It has also formulated "Staff recruitment management methods" and "Labor personnel management methods". In 2017, the Company had no case concerning the employment of minors.

All employee labour contracts are prepared with reference to the relevant legal system, and staff overtime is reasonably regulated to protect the legitimate rights of employees. In 2017, the Company did not have any labour dispute.

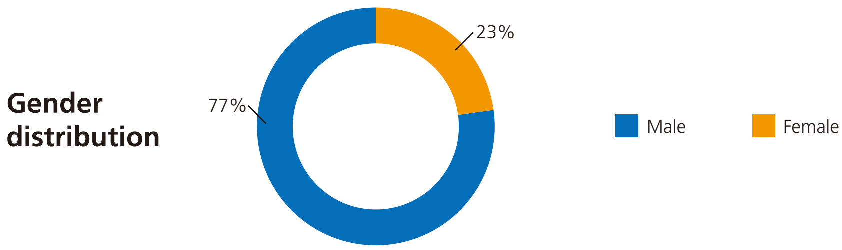


Related information

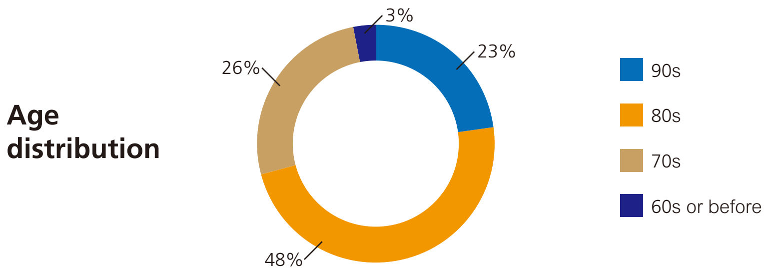
- The total number of staff in the Company is 292, of which 5 are management personnel, 115 are engineering personnel, 84 are R&D personnel, 9 are marketing and sales personnel, 33 are frontline operation and maintenance personnel and 46 are functional personnel, accounting for 2%, 39%, 29%, 3%, 11% and 16% of the total staff, respectively;



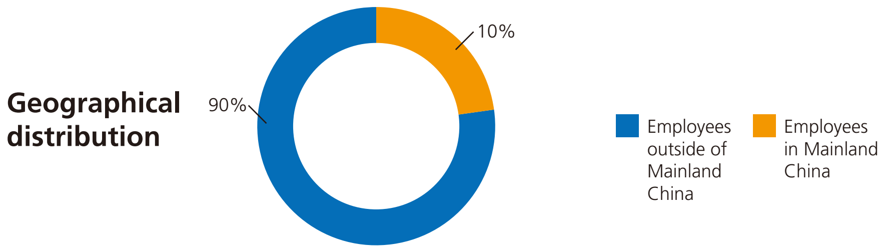
- By gender, 226 male employees and 66 female employees, accounting for 77% and 23% of total employees, respectively;



- By age groups, 68 employees were born in the 90s, accounting for 23%; 140 were in the 80s, accounting for 48%; 75 were in the 70s, accounting for 26%; and 9 were in the 60s, accounting for 3%.



By locations, 28 employees were stationed abroad and 264 employees were stationed in China, accounting for 10% and 90% of total employees.



3.2 Care for the safety and health of the staff

3.2.1 To ensure the safety of office environment

The Company provides the employees with a safe office environment in accordance with government regulations, formulates the office rules that all employees should observe, strengthens the Company's internal safety, security and fire prevention work, ensures the safety of the Company, personal property and employees, and maintains a sound office environment.

According to the requirements of the 2017 Beijing Security and Stability Working Conference of the Beijing SASAC, the Company strictly fulfills the responsibility of signing the safety production responsibility statement and fire safety responsibility statement. It persists in the safety inspection of key locations and critical parts before the holidays, eliminates potential safety hazards, ensures safe production on holidays, strengthens the work of emergency duty during important holidays, strictly carries out the Company's leadership during the holiday season, arranges staff on duty and properly arranges the Company's security work.

Access to the Company is restricted to the front entrance only. All doors (main entrance, fire doors) are equipped with automatically closing device, and under no circumstances should the automatic door closing device be switched off by any means to prevent fire hazards. The employees of the Company must access the Company with access control cards and access control cards are for personal use only and cannot be borrowed. Visitors should be accompanied by employees to the front desk for registration before entering the office building area. To avoid potential safety hazards caused by human error, the Company carries out daily supervision and inspection, including inspection of fire fighting facilities, and inspection on staff compliance with office safety rules.

In 2017, the Company has not violated relevant labour and safely regulation currently applicable in the PRC and there was no material safely issue concerning employees.

3.2.2 Care for the health of the staff

The Company's daily management and operations will not cause occupational hazards to employees. Workplaces with security hazards are equipped with professional protective equipment, and the Company carries out workplace security investigation from time to time and carries out remedial actions on areas with potential hazards in a timely manner.

The Company geared up its effort in establishing corporate culture and building the employees' home, which makes them feel the warmth of the Company and the care of the leaders in their daily lives and enhances the sense of belonging, as well as confidence and determination in career pursuit of the employees. The Company commences consolation activities and lends help efficiently in a timely manner, rallying all the employees to contribute to the BII Technology Company Fund to extend a helping hand to employees in illness, offering relieve funds for sick employees by way of special help and giving care to employees in difficulties from the union. The Company also organises consolation and warmth giving activities during festivals proactively. During major festivals like the Chinese New Year, the Dragon Boat Festival, the summer holiday, the Mid-Autumn Festival and the National Day, and during the days of extreme weather, the Company organises and commences warmth giving activities. It also gives loving care to cases of injury and sickness as well as family bereavement and the number of staff entering into marriage and giving birth is 12, all measures being welcomed and praised by the staffs.

In order to protect the physical and mental health of employees, the Company not only provides health check to new staff, but also provides regular health check for all employees annually, and is gradually increasing the health check items, such as cancer screening, etc, and actively organises employees to participate in various cultural activities to ensure that employees work and live happily. In 2017, the Company consecutively organised and participated in the third and fourth ping-pong competition and basketball competition held by the BII. In early August, the Company proactively organised 11 participants to join the eleventh "BII Cup" badminton competition which was organised by the labour union of BII and added to the atmosphere of the contest by organising over 50 cheering team members cheering for participants. The effort of the Company was paid off with a "The best cooperation" award. In September, the Company proactively organised 10 outstanding staffs who performed greatly in walking competitions to join the BII CUP long walking activity. The male and female contestants received the second prize and the third prize respectively. At the same time, in order to enrich the lives of the employees, the Company organised and commenced the "celebrating 38" strawberry picking activity for all the female employees, the long walking activity, the photography art salon activity, the June 1st parent-child activity throughout the year. The Company also applied the workers mutual service card for 116 employees, ensuring that all staff is well covered by the various benefits of the labour union.

Various activities which were organised by the union had broadened the employees' horizon, livened up the atmosphere of the teams in the Company, reinforced the communication and cooperation among employees and created a unifying, lively and motivating atmosphere by introducing team spirit into the activities. Large-scale group activities had given all the employees and junior management personnel a chance in shaping their temperament, relaxing, and reducing pressure, energising their passion in work and life and assuring their confidence in growing and developing with the Company. During the activity, the communication, sharing, relationship and mutual understanding had been improved among colleagues. They shared their experience in the work and the team spirit had been boosted.

3.3 Caring for the career development of the employees

The Company provided a wide development platform to the employees with a clear career development path and a comprehensive training system. We established and implemented relevant management methods, developed a proper position classification, intensified in developing talent teams and developed a system for training, appointing and managing talents based on the needs of the position.

3.3.1 To create a clear promotion channel

A scientific, standardised, professional promotion system can enhance the core competitiveness of the enterprises, encourage employees to continue to work hard and is the driving force behind the sustainable development of the Company.

The Company established and implemented "the management method of the position system" and "the management method of the evaluation of employees' performance". Through internal evaluation of performance, the Company selects key personnel who has outstanding performance and an excellent character for promoting to a higher position. With the evaluation of employees' capability and quality model in the future, the Company will regulate the design of promotion categories and channels, clarify various conditions for the promotion of employees to pave the way of career development for the employees, providing them with development space. The Company will establish a duo channels development mechanism of management and professional skills, which will comprise three aspects, namely basic channel, profession channel and management channel. Based on the operating ideology of marketisation and through learning constantly, the employee can develop step by step in the basic channel in accordance with the self's value and the development plan of the Company and get further employed in the management channel or the profession channel. The establishment of duo channels changing system had broken the border between skills and management to match the development preference of the employee more easily and to broaden the channel of the employee's career development, so as to nurture a team of talent with advanced skills which meets the requirements of strategic development of the Company.

3.3.2 Improve professional knowledge and skills

With the development of enterprises, and the ever-changing industry environment, the competition and development among the enterprises is ultimately the competition of talent; the Company is convinced that training outstanding talents is the key to the Group's development. With the aim of enhancing the level of business and the sense of safety responsibility, the Company commenced the training and managing works with full coverage and particular focuses by adhering to the principles of "being systematic, scientific and applicable" and "balancing between professional knowledge and skills and the sense of corporate culture".

The Company has established and implemented "the management method of training" to regulate the management of training. Adhering to the working spirit of "balancing between professional skills and knowledge and the sense of corporate culture; combining overall staff training and specific improvement", the Company analysed the new forms, new tasks and new requirements encountered by the corporate and the employees. The Company provides various types of training opportunities like lessons of knowledge and skills, sharing in the industry, project management and the improvement of comprehensive quality based on the nature of the positions of the employees. In 2017, the Company had conducted 65 occasions of training through various channel, namely internal lecturer teaching, inviting expertise and scholars in giving presentation, outpost learning and visiting, and the number of attendances reached 317, of which internal training recorded attendance of 97 and external training recorded attendance of 220. The trainings lasted for 737 hours.

➢ Company-level training

For enhancing the comprehensive capability and overall quality of the employees, the Company organised common knowledge training, innovative training and management quality training for the employees from various departments.

➢ Department-level training

With the aim of improving the skills specific to the positions of internal employees and in order to fulfil the actual needs of the task and to increase the quality and efficiency of the work, the Company organised various types of professional skills and position-specific skills training based on the classification of profession of each of the departments.

➢ Quality-construction training

In order to fulfil the needs of personnel for the business growth of the Company to achieve a win-win situation with the increase of both the quality-construction of the Company and the job value of the employees, the Company organised trainings of personnel quality certificate for all the employees in the Company.

According to the need for business development, the Company conducted the investigation of demand of training, formulation of training plan, implementation of training organisation, feedback on training, assessment on training, establishment of knowledge base for training and enhancement of overall training, and combined with individual performance of the staff to effectively integrate training into the daily work of the staff. On the company level, we insisted on focusing on all areas and to fully analyse each training by multi-dimensional means. On the department level, we aimed to focus on learning professional skills, enhancing integrated ability and quality, matching with staff's actual needs and keep enhancing self-management and quality development of staff.

Typical case – middle level management training: In order to meet the need for corporate development strategy and strengthen corporate recognition and cohesion of middle level management, the Company invited industry experts and professional lecturers to conduct training and communication for middle to high rank management team, enhancing the managerial capacities of the middle level management and ensuring that the capacity building of middle level management team match with corporate development. A total of 26 middle level management of the Company joined the training and members of the leading team have also attended this training.

3.4 Anti-corruption and Incorruptibility

Corruption will undermine the image of the leaders among the party cadres and the public, endanger the interests of the state and the people, jeopardise the credibility of the management of the state and the enterprise, and create irreparable damages to the future development of the Company. Therefore, anti-corruption work is of great significance to national stability and corporate development.

In accordance with the "Employee Handbook", "Employee Code of Conduct" and the corresponding management mechanism formulated by the business department of the BII, the Company established a comprehensive system for preventing and penalising corruption, promoting and popularising anti-corruption knowledge, strengthening the anti-corruption concept building of party members and leading cadres with a view to optimising the anti-corruption system, and constantly deepening the understanding of the law of governance and the law of anti-corruption work, and profoundly summing up the practical experience of anti-corruption. The Company upholds the principles of openness, fairness and impartiality, standardises large-scale bidding, procurement and competitive (operational) negotiation procedures, strengthens the supervision, enables the separation of functions, separation of personnel, and separation of financial accounting management. It made strenuous efforts to strengthen the supervision and management of the procurement staff of the enterprise as well as the experts it hired, separate the government procurement management office and implementing office, and strictly regulate the procurement activities. If staff and leadership involve in corruption, they will be handled in accordance with relevant national policies and laws. The Company will fulfill its obligations of ant-corruption from the four aspects below, thereby establishing a culture of incorruptibility.

Firstly, we strengthened the supervision in appointing cadres and key personnel. The Company will further regulate the appointment of mid-level cadres by organising investigation. With evaluation criteria of five dimensions (Morality, Capability, Diligence, Performance and Integrity), the Company underwent investigation on 7 members and talked with 38 members who were being promoted to the upper position. Opinions and explanations of the supervision were given, evaluation was carried out and public notice was made.

Secondly, we normalised the supervision on tender. In order to provide disciplinary protection to strengthen management on tendering and bidding of the Company, we revised and refined systems related to tendering and bidding of the Company, delegated member of commission for discipline inspection to involve in tendering and bidding, included the involvement of member of commission for discipline inspection in the supervision on tendering and bidding into tender participating process and tender balloting and approval process as well as strengthening inspection and management.

Thirdly, we organised and issued reminder on integrity. We organised and held talks on integrity for the leading team and department heads of the Company, invited Ming Zhangyi (明章義), vice secretary of commission for discipline inspection of BII, to conduct education on integrity to all party members of middle deputy level or above and cadres, boosting the result of the Company to reach a new step against the backdrop of promoting integrity both in the party and in operation. During important holidays, such as New Year's Day, Spring Festival, Labor Day, Dragon Boat Festival, National Day and Mid-Autumn Festival, we launched reminder on "integrity and self-discipline" to ensure prevention of corruption during holidays.

Fourthly, we initiated special control campaign. According to the request of BII, we organised and commenced special control campaigns on "irresponsible officials" and "misbehave officials" problems, "unhealthy tendencies and corruption problems which happen all around people" and illegal purchase and consumption of premium white wine with public funds within the Company. We conducted self-inspection and self-correction seriously to formulate prevention measures in a timely manner and eliminate the hidden damages.

Through the OA internal system, the Company announces to all employees the contact of the management (email and telephone), so as to open the access for complaints. Employees can report to the relevant management for any problems they discover or any suggestions they wish to make.

There was no litigation of corruption against the Company and the employees during the reporting period.

4. THE COMPANY AND THE SUPPLIERS

Our Company is an enterprise with advanced and new technologies which provides all-rounded application solution service and operation and maintenance service for urban rail transit network and lines construction. The systems, such as Automatic Fare Collection System (AFC), Auto Fare Collection Clearing Center (ACC), Passenger Information System (PIS), operation and maintenance service and integrated pipeline corridor, as well as city railway transportation informational sector operated by the Company have been widely applied in domestic and overseas city railway transportation sector. We closely cooperated with suppliers and insisted in high standard of quality, efficiency, responsibility and sustainable development so as to bring first class product and service to our customers. At the same time, the Company strictly complied with the laws and regulations related to supplier management, including but not limited to, "Labor Law of the People's Republic of China", "Labor Contract Law of the People's Republic of China" and "Implementation Regulations of the Tendering and Bidding Law of the People's Republic of China".

To date, we have over 300 suppliers and other business partners, of which 90% is from Beijing, and the other 10% is from Hebei, Shenzhen, Guangzhou and other places, strongly supporting the local enterprises. At the same time, we are intensifying the development in other cities. Accordingly, we adopted the same clear requirement towards suppliers from each of the regions, like the performance in sustainable development among suppliers. For long-term business cooperation, we have priority over suppliers who have potential in innovating and optimising the production cost and logistic procedures.

The Company has established a comprehensive supplier classification and management evaluation system. According to the "Supplier management and control process" of the Company, in June 2017, the commerce department organised each business departments and financial departments to conduct a re-evaluation on cooperating suppliers in 2016. We completed the evaluation of suppliers in 2017 by re-evaluating a total of 131 suppliers and conducting comprehensive evaluation based on aspects, such as quality-price ratio of the goods, payment means, supply time, quality of goods, service response and financial condition of the Company. The list of qualified suppliers and list of disqualified suppliers for 2017 was published so as to guide the selection of supplier in 2017. We maintain supplier lists and documents at any time and monitor the contract execution process of the supplier at the same time. Based on the result of the re-evaluation, suppliers will be divided into A, B, C, D grades. Among which, Grade A is excellent (full mark in all aspects), Grade B is good (85% of full mark in all aspects), Grade C is fair (70% of full mark in all aspects) and Grade D is unsatisfactory (40% of full mark in all aspects).

Among the suppliers who have passed in this occasion, 56 suppliers were ranked Grade A Excellent (48%), 53 suppliers were ranked Grade B Good (45%), 8 suppliers were ranked Grade C Fair (7%), 3 suppliers were ranked Grade D. Comparing to last year, among the 122 passing suppliers who participated in a second evaluation in 2016, 27 suppliers were ranked Grade A Excellent (22%), 49 suppliers were ranked Grade B Good (40%), 46 suppliers were ranked Grade C Fair (38%) and 3 suppliers were ranked Grade D.

The above information shows that the ratio of Grade A suppliers were doubled when compared to last year, at the same time, the number of Grade C suppliers drastically decreased when compared to last year, representing a huge improvement among the suppliers who cooperated with us in respect of price, quality, service and capability.

For the new suppliers involved in 2017, the department of commerce had conducted initial evaluation individually which consisted of two sessions, which were the qualification examinations and the on-site investigation of the suppliers. For those suppliers who did not comply with our requirement or posed risks, through checking on the website of the administration for industry and commerce, checking the capital condition of the company and whether it is involved in litigations, the department of commerce had efficiently control the risk of compliance by ways like changing the supplier, revising payment method and adding restricting provisions in the contract. A total of 79 suppliers had passed the initial evaluation in 2017. An annual re-evaluation will be commenced before June in 2018.

5. THE COMPANY AND THE SOCIETY

5.1 ACC application system maintenance service project assisted the public security in solving cases

The external unit inquiry function provided by the 2017 ACC application system could efficiently assist the public security in combating crimes. When the staff of the Group's maintenance center receives inquiry from the public security authority, they could find out the history of usage of the corresponding tickets (including information of the path of entering and leaving the station, the stations and the specific time of usage, etc.) of the suspect through the "policeman inquiry" business inquiry system in the outer interface of the ACC application system based on the information of the ticket provided by the police. Through screening and comparing the outcome data, the ticket information of the partners of the suspect can be extrapolated, providing the police with strong fundamental information and assisting public security authority in combating crimes.

In 2017, the Company had assisted public security in following the track of suspects over 140 times and had great contribution in promoting social harmony and building a peaceful and safe Beijing. It is also a demonstration of members of BII Transportation Technology proactively fulfilling the social responsibility and "complying with the law, operating with honesty, repaying the society" as a state enterprise of the capital. In the future, the Group will be further engaged in the research and development work of big data while proactively undergoing information sharing and project development with public security authority, in order to collaborate with the public security in combating crimes and to support the construction of a peaceful capital.

5.2 Assurance works during various major events by ACC application system operation and maintenance service project in 2017

As the main entity for coordinating the automatic selling and inspection of tickets of various railway transportation lines in Beijing and providing external ticketing information services and management, the Beijing Railway Transport Auto Fare Collection Clearing Center (ACC) carries out communication and coordination works on ticketing with other departments and units on behalf of all railway transportation lines. The target of operating and maintaining the ACC application system is to ensure the long-term, stable and normal operation of the ACC system without any interruption and to ensure normal business operation. Throughout the year 2017, the ACC application system operation and maintenance project has well delivered its operation and maintenance services; it has identified and handled emergency cases in a timely manner and achieved a satisfactory overall performance. The system has successfully accomplished its operation, maintenance and assurance works during major events and festival holidays, including New Year's Day of 2017, 2017 Chinese New Year, 2017 NPC and CPPCC, 2017 Ching Ming Festival, 2017 Labor Day, the "Belt and Road Forum", 2017 Dragon Boat Festival, 2017 National Day and the 19th National Congress. It has also completed seven system upgrade and assurance tasks, including internet business upgrade, plug-in of monitoring center interface, addition of 5 new lines (Yanfang Line, Xijiao Line, S1 Line, Sub-Central Line and Huaimi Line), thereby providing effective support for the smooth operation of the AFC system and providing strong support for the smooth operation of Beijing railway transportation during major events in 2017.

5.3 Assurance works during various major events by ACC/TCC mainframe/network and the building network operation and maintenance service project in 2017

TCC (Traffic Control Centre) Railway Transportation Command Centre is the interchange centre of the information system of various subway lines in Beijing and is mainly responsible for interconnecting various subway lines and the railway transportation command centre. The ACC/TCC mainframe/network and building network operation and maintenance services project mainly provides operation and maintenance services to Beijing Railway Transportation Command Centre. The mainframe and network equipment of the ACC, TCC and building network system is the media and foundation of various businesses of Beijing Railway Transportation Command Centre. The ACC/TCC mainframe/network and building network operation and maintenance services project ensured the normal operation of the ACC, TCC mainframe network and building network throughout 2017. It has successively completed the operation, maintenance and assurance works during major events and festival holidays, including the New Year's Day of 2017, 2017 Spring Festival, 2017 NPC and CPPCC, 2017 Ching Ming Festival, 2017 Labor Day, the "Belt and Road" Forum for International Cooperation, 2017 Dragon Boat Festival, 2017 National Day and the 19th National Congress of the Communist Party of China. It has also operated in coordination to complete the networking for internet business, the networking of Yanfang Line, S1 Line and Xijiao Subway and the coordination works of Beijing Subway Operation MLC, BJMTR MLC, AFC monitoring centre, thereby ensuring the normal operation of the ACC, TCC mainframe network and building network system during major events and festival holidays and providing strong foundation for the normal operation of Beijing railway transportation during major events in 2017.

5.4 Completed the installation of platform screen door in Line 2 and realised the installation work of all 19 railway Lines in Beijing, thereby safeguarding the railway passengers in capital.

On 20 August 2017, the Beijing railway Line 2 platform screen door installation project of the Company's platform screen door project was officially put into operation throughout all 18 stations.

The installation of the platform screen door in Line 2 took 2 years. All of the construction was performed without suspension of operation in order to ensure the normal operation of the line in daytime. Accordingly, the technicians of the construction could only utilise the 3 to 4 hours after the suspension of operation of the railway at night time to undergo the work. The installation of Line 1 and Line 2 of the Beijing railway started from 2016 and was completed smoothly in advance thanks to the efforts of the units like the commission of transportation of the municipal and the railway operating company of the municipal. To date, all of the 19 railway lines in Beijing was guarded with platform screen door, providing further safety assurance for passengers. The Company completed the cordon line of platform screen door for the capital's railway, safeguarding the railway passengers' safety in the capital.

5.5 Collaborated with railway operating units and supported the economic development of the west of Beijing with substantial transportation support

Beijing Low-speed Maglev demonstration transit line (S1 Line) is a maglev rail transit line. It is a fast track linking the Mentougou region and the central cities. On 30 December 2017, all 7 stations (except the Pingguoyuan station) of the Beijing mid-to-low speed Maglev demonstration transit line (S1 Line) had been officially put into operation, marking the first officially operating demonstration transit line which utilises electromagnetic levitation in Beijing. The S1 Line is the first platform screen door project which was self-developed by our company, marking a milestone of innovating development. The operation of the line will support the economic development of the west of Beijing with substantial transportation support.

In 2017, during the substantial meeting like the 19th National Congress, the National Day and "The Belt and Road Initiative", the Company collaborated with railway operation units with full force and implemented 24-hours technical support and on-site maintenance, thereby ensuring the smooth progression of the above activities.

5.6 Undertaking greater efforts in developing civil communication projects and enhancing the quality of communication service in civil transportations

The Company acquired and invested in civil communication projects. Through building transmission systems, the Company enhanced the infrastructure of public transportation and the traffic, increased the standard of communication network services and the public services of the traffic, provided convenient and speedy services in public transportation, enabling citizens to enjoy the quality and high-speed communication services provided by the top 3 basic telecommunication operators and establishing a suitable environment in improving the level of digitalised construction. With the premise of assuring the communication, the Company provided communication services and full-process guarantee for major events of the party, such as the 19th National Congress. The Company completed the mission of assurance successfully and ensured the stable operation of the network.

The project enhanced the quality of communication service in civil transportations and ensured the communication in substantial events.

6. HKEX "ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE"

"Environmental, social and governance reporting guide" operating practices Aspect A1: Emissions		Page	Report Content	
A1	General disclosure	54	1.	The Company and the environment
		57	1.2	Adhere to low-carbon operation work model
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	54	1.1	Promote energy conservation and emission reduction projects
Aspect A2: Use of resources		**Page**	**Report Content**	
A2	General disclosure	54	1.	The company is in harmony with the environment
		57	1.2	Adhere to low-carbon operation work model
A2.3	Description of energy use efficiency initiatives and results achieved.	57	1.2	Adhere to low-carbon operation work model
Aspect A3: The environment and natural resources		**Page**	**Report Content**	
A3	General disclosure	54	1.	The company and the environment
		57	1.2	Adhere to low-carbon operation work model
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	57	1.2	Adhere to low-carbon operation work model
Major Aspect B. Social Employment and labor practices Aspect B1: Employment		**Page**	**Report Content**	
B1	General disclosure	63	3.1	Protecting employees' interests
B1.1	Total workforce by gender, employment type, age group and geographical region.	63	3.1	Protecting employees' interests

"Environmental, social and governance reporting guide" operating practices Aspect B2: Health and safety		Page	Report Content	
B2	General disclosure	66	3.2.1	To ensure the safety of office environment
		66	3.2.2	Care for the health of employees
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	66	3.2.1	To ensure the safety of office environment
		66	3.2.2	Care for the health of employees
Aspect B3: Development and training		**Page**	**Report Content**	
B3	General disclosure	68	3.3.2	Improve professional knowledge and skills
Aspect B4: Labour standards		**Page**	**Report Content**	
B4	General disclosure	63	3.1	Protecting employees' interests
B4.1	Description of measures to review employment practices to avoid child and forced labour.	63	3.1	Protecting employees' interests
Aspect B5: Supply chain management		**Page**	**Report Content**	
B5	General disclosure	72	4.	The company and the suppliers
B5.1	Number of suppliers by geographical region.	72	4.	The company and the suppliers
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	72	4.	The company and the suppliers

"Environmental, social and governance reporting guide" operating practices				
Aspect B6: Product responsibility		**Page**	**Report Content**	
B6	General disclosure	61	2.3.1	Product quality control
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.		Not applicable	
B6.2	Number of products and service related complaints received and how they are dealt with.	62	2.3.2	Customer satisfaction survey and customer information protection
B6.3	Description of practices related to rights as well as observing and protecting intellectual property rights.	59	2.2	Protection of intellectual property
B6.4	Description of quality assurance process and recall procedures.	61	2.3.1	Product quality control
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	62	2.3.2	Customer satisfaction survey and customer information protection
Aspect B7: Anti-corruption		**Page**	**Report Content**	
B7	General disclosure	70	3.4	Anti-corruption and Incorruptibility
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	70	3.4	Anti-corruption and Incorruptibility
Aspect B8: Community investment		**Page**	**Report Content**	
B8	General disclosure	73	5.	The company and the society
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labor needs, health, culture, sports).	73	5.	The company and the society

Independent Auditor's Report

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
BII RAILWAY TRANSPORTATION TECHNOLOGY HOLDINGS COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of BII Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 90 to 152, which comprise the consolidated statement of financial position as at 31 December 2017, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recognition of contract revenue

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(t)(i).

The Key Audit Matter

The Group's business involves entering into contractual relationships with customers to provide a range of services, including the provision of design, implementation and sale,and maintenance of, application solutions for the networking and controlling systems of public transport and other companies, and the services of civil communication transmission systems for use in public transportation systems to telecommunication service providers.

A significant proportion of the Group's revenue and profits is derived from long term contracts, most of which are fixed price contracts.

The recognition of revenue on long term contracts is based on the stage of completion of work performed on a contract at the reporting date. The recognition of revenue for an incomplete project is dependent on estimating the total outcome of the contract as well as the work performed to date.

How the matter was addressed in our audit

Our audit procedures to assess the recognition of contract revenue included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls over the recognition of contract revenue, including the controls over recording work done, invoicing and cash receipts;

- selecting a sample of contracts, using a variety of quantitative and qualitative criteria, and performing the following procedures for each contract selected:

  – inspecting key terms, including price, deliverables,timetable and milestones, set out in the contract and inquiring of the relevant project managers and engineers about key aspects of the contract, including the estimated total contract costs, key project risks, contingencies and billing schedules;

  – challenging the underlying judgements of senior operational and financial management personnel in their estimations of total estimated contract costs and estimated costs to complete the contract where it was still in progress at the reporting date by comparing their estimates with relevant underlying documentation, including suppliers' quotations and agreed contracts;

KEY AUDIT MATTERS (CONTINUED)

Recognition of contract revenue (continued)

Refer to Note 4 to the consolidated financial statements and the accounting policies in Note 2(t)(i).

The Key Audit Matter	How the matter was addressed in our audit
Forecasting the outcome of a contract involves the exercise of significant management judgement. Errors in contract forecasts could result in a material variance in the amount of profit or loss recognised to date and therefore also in the current period. We identified the recognition of contract revenue as a key audit matter because contract revenue accounts for a significant proportion of the Group's revenue and because the recognition of contract revenue involves a significant degree of management judgement in assessing factors which can be inherently uncertain and may be subject to management bias.	– comparing items recorded as contract costs during the year with suppliers' contracts, goods receipt notes and other relevant underlying documentation; – agreeing total contract revenue to the contracted terms; – recalculating the percentage of completion based on contract costs occurred up to the reporting date and estimated total contract costs; and – recalculating revenue recognised to date, based on total contract revenue and the percentage of completion. • on a sample basis,comparing management's estimated costs to complete selected contracts at the end of the previous financial year with actual costs incurred during the current year and enquiring of the management about any significant variances identified; and • performing site visits to a sample of major contracts in progress at the reporting date and discussing with site project managers and engineers the stage of completion, services provided and goods delivered.

KEY AUDIT MATTERS (CONTINUED)

Allowances for doubtful debts

Refer to Note 18 to the consolidated financial statements and the accounting policies in Note 2(k)(i).

The Key Audit Matter

The Group's operations gave rise to significant trade receivable balances and gross amounts due from customers for contract work at the reporting date. As at 31 December 2017, trade receivables and gross amounts due from customers for contract work amounted to HK$625,010,000, which represented 23.0% of the total assets of the Group as at that date.

Trade receivables and gross amounts due from customers for contract work are reviewed by management on an individual customer basis at the end of each reporting period to determine whether there is objective evidence of impairment. These evaluations focus on the ageing of the amounts due, the customer's past history of making payments when due and current ability to pay and also take into account information specific to the customers as well as pertaining to the economic environment in which the customers operate.

We identified assessing allowances for doubtful debts as a key audit matter because of the significance of the balances of trade receivables and gross amounts due from customers for contract work to the consolidated financial statements and because of the significant management judgement required in estimating the allowances for doubtful debts at the reporting date, which can be inherently uncertain.

How the matter was addressed in our audit

Our audit procedures to assess the allowances for doubtful debts included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and recognising allowances for doubtful debts;
- comparing, on a sample basis, the categorisation of trade receivables and gross amounts due from customers for contract work in the ageing report with invoices issued, contract terms, contract progress reports and other relevant underlying documentation;
- inquiring of management about the recoverability of individual balances and evaluating, on a sample basis, the allowances for doubtful debts made by management for these individual balances, if any, with reference to the customer's financial condition, the ageing of overdue balances and historical and post year-end payment records;
- assessing the historical accuracy of management's processes for estimating allowances for doubtful debts by comparing the utilisation, write-offs and new allowances made in the current year with the balances of trade receivables and gross amounts due from customers for contract work as at 31 December 2017; and
- inspecting cash receipts, on a sample basis, from customers subsequent to the financial year end relating to trade receivable balances and gross amounts due from customers for contract work as at 31 December 2017.

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and intangible assets

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(k)(ii).

The Key Audit Matter

As at 31 December 2017, goodwill amounted to HK$65,397,000 in total and was allocated to operations in the provision of application solutions related services and operations related to the civil communication transmission systems business for the purpose of assessing potential impairment.

As at 31 December 2017, intangible assets, which comprised software relating to certain types of application solutions and income rights relating to the civil communication transmission services, amounted to HK$125,375,000.

Goodwill is assessed annually for potential impairment and the directors assess potential impairment of intangible assets when they consider that indicators of potential impairment of these assets exist. Management performs impairment assessments of the cash generating units ("CGUs") to which the assets are allocated by considering the value-in-use of these assets

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill and intangible assets included the following:

- evaluating management's identification of CGUs and the amounts of goodwill and intangible assets allocated to those CGUs;
- evaluating the methodology used by management in its preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards;
- evaluating the discount rates applied in the discounted cash flow forecasts by assessing whether they were within the range of those adopted by other companies in the same industry;
- assessing and challenging the key assumptions adopted by management in its discounted cash flow forecasts, which included the value of contracts still to be delivered to customers, the expected timetable for those contracts, contract prices and estimated costs,with reference to historical profit margins of the individual CGUs, the financial budgets approved by the directors and our expectations based on our knowledge of the industry in which the Group operates;

KEY AUDIT MATTERS (CONTINUED)

Assessing potential impairment of goodwill and intangible assets (continued)

Refer to Notes 12 and 13 to the consolidated financial statements and the accounting policies in Note 2(k)(ii).

The Key Audit Matter	How the matter was addressed in our audit
The value-in-use was determined by preparing discounted cash flow forecasts of the relevant CGUs. This involves a significant degree of management judgement, particularly in determining the key assumptions adopted, which include the value of contracts still to be delivered to customers, the expected timetable for those contracts, contract prices, estimated costs and the discount rates applied. We identified assessing potential impairment of goodwill and intangible assets as a key audit matter because the impairment assessment of these assets involves a significant degree of management judgement in relation to the key assumptions adopted in the impairment assessment models some of which are inherently uncertain and may be subject to management bias.	• performing a retrospective review of the prior year's discounted cash flow forecasts and comparing the forecast revenue and profit with the current year's actual results to assess the reliability of management's forecasting process; • obtaining from management sensitivity analyses of the key assumptions, which include the value of contracts still to be delivered to customers, the expected timetable for those contracts, contract prices, estimated costs and the discount rates applied, adopted in the discounted cash flow forecasts and assessing the impact on the conclusion of the impairment assessment, the impairment charge for the year, and whether there were any indicators of management bias; and • considering the disclosures in the consolidated financial statements in respect of impairment testing of goodwill and intangible assets with reference to the requirements of the prevailing accounting standards.

KEY AUDIT MATTERS (CONTINUED)

Accounting for interest in a joint venture

Refer to Note 15 to the consolidated financial statements and the accounting policies in Note 2(e).

The Key Audit Matter

The Group's 49% interest in Beijing Metro Co., Ltd. ("Beijing Metro") is accounted for in the consolidated financial statements under the equity method.

The Group's share of the profit after tax from Beijing Metro for the year ended 31 December 2017 was HK$8,147,000 and the carrying value of the Group's interest in Beijing Metro was HK$302,036,000. This represented approximately 22.1% of the Group's profit attributable to equity shareholders of the Company for the year ended 31 December 2017 and 11.1% of the Group's total assets as at 31 December 2017.

We identified the accounting for the interest in Beijing Metro as a key audit matter because of the material impact on the Group's consolidated financial statements and the complexity and management judgement involved in the preparation of the financial information of Beijing Metro, which increases the risk of material misstatement in the consolidated financial statements, particularly in respect of Beijing Metro's acquisition in 30 years' operating income rights of the airport express line of the Beijing Subway and floor two to six of Dongzhimen terminal in 2017. The assessment of the fair value of the consideration and the identifiable net assets acquired are inherently subjective and require significant judgement and estimation which increases the risk of error or potential management bias.

How the matter was addressed in our audit

Our audit procedures to assess the accounting for the interest in Beijing Metro included the following:

- evaluating the design, implementation and operating effectiveness of key group-wide internal controls and the consolidation process for equity accounting for the interest in Beijing Metro;
- comparing consolidation and reclassification journal adjustments in respect of the interest in Beijing Metro with relevant underlying documentation;
- recalculating the Group's share of net assets and the Group's share of profit for the year with reference to the financial information of in Beijing Metro;
- instructing the auditors of Beijing Metro (the "component auditors") to perform a full scope audit of the financial information of Beijing Metroin accordance with the group audit instructions issued by us;
- participating in the component auditors' risk assessment process to identify significant risks of material misstatement of the financial information of Beijing Metro and discussing with the component auditors their responses to address such risks; and
- discussing with the component auditors their findings and conclusions with regard to their audit and evaluating the sufficiency and appropriateness of the audit evidence for purpose of our audit of the consolidated financial statements by reviewing the component auditors' working papers.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Yeung Ka Chun.

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

27 March 2018

Consolidated Statement of Profit or Loss

For the year ended 31 December 2017 (Expressed in Hong Kong dollars ("HK$"))

	Notes	2017 HK$'000	2016 HK$'000
Revenue	4	**564,587**	479,309
Cost of sales		**(451,301)**	(375,324)
Gross profit	4(b)	**113,286**	103,985
Other income	5	**12,308**	3,563
Selling, general and administrative expenses		**(85,500)**	(77,751)
Profit from operations		**40,094**	29,797
Share of profits of joint ventures and an associate	15	**11,482**	128
Profit before taxation	6	**51,576**	29,925
Income tax	7	**(6,336)**	(1,531)
Profit for the year		**45,240**	28,394
Attributable to:			
Equity shareholders of the Company		**38,554**	25,728
Non-controlling interests		**6,686**	2,666
Profit for the year		**45,240**	28,394
Earnings per share			
– Basic (HK$)	10(a)	**0.018**	0.017
– Diluted (HK$)	10(b)	**0.018**	0.017

The notes on pages 96 to 152 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

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

	2017 HK$'000	2016 HK$'000
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	**54,388**	(50,326)
Total comprehensive income for the year	**99,628**	(21,932)
Attributable to:		
Equity shareholders of the Company	**91,423**	(23,358)
Non-controlling interests	**8,205**	1,426
Total comprehensive income for the year	**99,628**	(21,932)

The notes on pages 96 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2017 (Expressed in HK$)

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	11	**120,112**	134,529
Intangible assets	12	**125,375**	125,771
Goodwill	13	**65,397**	61,113
Interests in joint ventures and an associate	15	**394,828**	312,570
Deferred tax assets	22(b)	**25,411**	20,288
		731,123	654,271
Current assets			
Available-for-sale debt investments	16	**116,760**	128,564
Inventories	17	**78,581**	69,021
Trade and other receivables	18	**657,783**	524,610
Cash and cash equivalents	19	**1,128,780**	1,118,431
		1,981,904	1,840,626
Current liabilities			
Trade and other payables	20	**437,580**	317,908
Current taxation	22(a)	**37,230**	36,205
		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	22(b)	**24,108**	24,257
NET ASSETS		**2,214,109**	2,116,527
CAPITAL AND RESERVES	23		
Share capital		**21,048**	21,062
Reserves		**2,173,028**	2,083,637
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

Approved and authorised for issue by the board of directors on 27 March 2018.

Cao Wei
Director

Xuan Jing
Director

The notes on pages 96 to 152 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2016 (Expressed in HK$)

	Attributable to equity shareholders of the Company								
	Share capital HK$'000 (Note 23(c))	Share premium HK$'000 (Note 23(d)(i))	Capital reserve HK$'000 (Note 23(d)(ii))	Statutory reserves HK$'000 (Note 23(d)(iii))	Exchange reserve HK$'000 (Note 23(d)(iv))	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2016	14,233	950,819	29,411	12,710	(32,151)	236,078	1,211,100	10,402	1,221,502
Changes in equity for 2016:									
Profit for the year	–	–	–	–	–	25,728	25,728	2,666	28,394
Other comprehensive income	–	–	–	–	(49,086)	–	(49,086)	(1,240)	(50,326)
Total comprehensive income	–	–	–	–	(49,086)	25,728	(23,358)	1,426	(21,932)
Issuance of shares	6,691	896,032	–	–	–	–	902,723	–	902,723
Shares issued under share option scheme (Note 23(c)(ii))	138	12,616	(2,451)	–	–	–	10,303	–	10,303
Equity-settled share-based transactions (Note 21)	–	–	3,931	–	–	–	3,931	–	3,931
Appropriation to reserves	–	–	–	6,752	–	(6,752)	–	–	–
	6,829	908,648	1,480	6,752	–	(6,752)	916,957	–	916,957
Balance at 31 December 2016	21,062	1,859,467	30,891	19,462	(81,237)	255,054	2,104,699	11,828	2,116,527

The notes on pages 96 to 152 form part of these financial statements.

	Attributable to equity shareholders of the Company									
	Share capital HK$'000 (Note 23(c))	Share premium HK$'000 (Note 23(d)(i))	Capital reserve HK$'000 (Note 23(d)(ii))	Statutory reserves HK$'000 (Note 23(d)(iii))	Exchange reserve HK$'000 (Note 23(d)(iv))	Treasury share reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 January 2017	21,062	1,859,467	30,891	19,462	(81,237)	–	255,054	2,104,699	11,828	2,116,527
Changes in equity for 2017:										
Profit for the year	–	–	–	–	–	–	38,554	38,554	6,686	45,240
Other comprehensive income	–	–	–	–	52,869	–	–	52,869	1,519	54,388
Total comprehensive income	–	–	–	–	52,869	–	38,554	91,423	8,205	99,628
Shares issued under share option scheme (Note 23(c)(ii))	36	3,897	(694)	–	–	–	–	3,239	–	3,239
Equity-settled share-based transactions (Note 21)	–	–	563	–	–	–	–	563	–	563
Appropriation to reserves	–	–	–	5,716	–	–	(5,716)	–	–	–
Purchase of own shares (Note 23(c)(iii))	–	–	–	–	–	(5,848)	–	(5,848)	–	(5,848)
Cancellation of shares (Note 23(c)(iii))	(50)	(5,798)	–	–	–	5,848	–	–	–	–
	(14)	(1,901)	(131)	5,716	–	–	(5,716)	(2,046)	–	(2,046)
Balance at 31 December 2017	21,048	1,857,566	30,760	25,178	(28,368)	–	287,892	2,194,076	20,033	2,214,109

The notes on pages 96 to 152 form part of these financial statements.

Consolidated Cash Flow Statement

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

	Notes	2017 HK$'000	2016 HK$'000
Operating activities			
Profit before taxation		**51,576**	29,925
Adjustments for:			
Depreciation and amortisation	6(b)	**42,263**	36,095
Interest income	5	**(3,055)**	(4,238)
Investment income	5	**(4,116)**	(1,304)
Share of profits of joint ventures and an associate	15	**(11,482)**	(128)
Equity-settled share-based payment expenses	6(a)	**563**	3,931
Net loss on disposal of property, plant and equipment and intangible assets	5	**8**	702
Changes in working capital:			
Increase in inventories		**(9,560)**	(18,202)
Increase/(decease) in trade and other receivables		**(131,799)**	10,980
Increase in trade and other payables		**136,527**	39,428
Cash generated from operations		**70,925**	97,189
Interest received		**3,055**	4,238
Income tax paid	22(a)	**(10,910)**	(21,367)
Net cash generated from operating activities		**63,070**	80,060
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		**(9,096)**	(3,413)
Proceeds from disposal of property, plant and equipment		**–**	2
Capital contributions upon the establishment of joint ventures and associate	15	**(72,256)**	(312,442)
Payment for acquisition of business		**–**	(66,178)
Payments for purchase of available-for-sale debt investments		**(818,035)**	(306,849)
Proceeds from sale of available-for-sale debt investments		**842,266**	191,480
Net cash used in investing activities		**(57,121)**	(497,400)
Financing activities			
Proceeds from issuance of shares, net of transaction costs		**–**	902,723
Proceeds from shares issued under share option scheme	23(c)(ii)	**3,239**	10,303
Payment for purchase of own shares	23(c)(iii)	**(5,848)**	–
Net cash (used in)/generated from financing activities		**(2,609)**	913,026
Net increase in cash and cash equivalents		**3,340**	495,686
Cash and cash equivalents at 1 January	19	**1,118,431**	626,837
Effect of foreign exchange rate changes		**7,009**	(4,092)
Cash and cash equivalents at 31 December	19	**1,128,780**	1,118,431

The notes on pages 96 to 152 form part of these financial statements.

Notes to the Financial Statements

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

BII Railway Transportation Technology Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The listing of the Company's shares was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The consolidated financial statements of the Company as at and for the year ended 31 December 2017 comprise the Company and its subsidiaries (collectively referred to as 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

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

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 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current 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 (see Note 2(i)) which are stated at their fair values.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) 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.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those equity interests which would result in the Group as a whole having a contractual obligation in respect of those equity interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any equity interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (continued)

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(k)(ii)), unless the investment is classified as held for sale.

(e) Associates and joint ventures

An associate is an entity in which the group or company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group or the Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(k)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statement of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or joint venture.

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interests in the investees, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to significant influence over an associate or joint control over an a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, investment in associates and joint venture are stated at cost less impairment losses (see Note 2(k)(ii)), unless classified as held for sale.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interests in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses (see Note 2(k)(ii)). Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(k)(ii)).

(g) Property, plant and equipment

Property, plant and equipment are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Note 2(k)(ii)).

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual values, if any, using the straight line method over their estimated useful lives as follows:

	Estimated useful lives
Leasehold improvements	Over the term of the lease
Office equipment, motor vehicles and others	4–5 years
Electronic equipment	3 years
Civil communication transmission systems	The shorter of 10 years or the estimated remaining useful lives

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the estimated useful life of an asset and its residual value, if any, are reviewed annually.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (other than goodwill)

Intangible assets developed or acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(k)(ii)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. These intangible assets with finite useful lives are amortised from the date they are available for use as follows:

	Estimated useful lives
Software	3–10 years
Income rights	The shorter of 13 years or the estimated remaining useful lives

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(i) Available-for-sale debt investments

Available-for-sale debt investments are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

At the end of each reporting period the fair value of available-for-sale debt investments is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Interest income from available-for-sale debt investments calculated using the effective interest method are recognised in profit or loss in accordance with the policies set out in Note 2(t)(iv).

When the investments are derecognised or impaired (see Note 2(k)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(I) CLASSIFICATION OF ASSETS LEASED TO THE GROUP

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(II) OPERATING LEASE CHARGES

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(k) Impairment of assets

(I) IMPAIRMENT OF INVESTMENTS IN DEBT AND EQUITY SECURITIES AND RECEIVABLES

Investments in debt and equity securities and receivables that are stated at cost or amortised cost or are classified as available-for-sale securities, are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(I) IMPAIRMENT OF INVESTMENTS IN DEBT AND EQUITY SECURITIES AND RECEIVABLES (CONTINUED)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates and joint ventures accounted for under the equity method in the consolidated financial statements (see Note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(k)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(k)(ii).

– For trade and other receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale debt investments, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses in respect of available-for-sale debt investments are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(II) IMPAIRMENT OF OTHER ASSETS

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- goodwill; and
- investments in subsidiaries and a joint venture in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

- *Calculation of recoverable amount*

  The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

- *Recognition of impairment losses*

  An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

- *Reversals of impairment losses*

  In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

  A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Impairment of assets (continued)

(III) INTERIM FINANCIAL REPORTING AND IMPAIRMENT

Under the Listing Rules, the Group is required to prepare interim financial reports in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Note 2(k)). Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(l) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(m) Project contracts in progress

Project contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 2(t)(i)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress are presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as part of trade and other payables in the statement of financial position.

(n) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see Note 2(k)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see Note 2(k)(i)).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Employee benefits

(I) SHORT-TERM EMPLOYEE BENEFITS AND CONTRIBUTIONS TO DEFINED CONTRIBUTION RETIREMENT PLANS

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(II) SHARE-BASED PAYMENTS

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the Black-Scholes Model, taking into account the terms and conditions upon which the share options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the share options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the share option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the share option expires (when it is released directly to retained profits).

(III) TERMINATION BENEFITS

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to business combinations, or items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group or the Company has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Group or the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(t) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(I) CONTRACT REVENUE

When the outcome of a service contract can be estimated reliably, revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to estimated total contract costs for the contract.

When the outcome of a service contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Revenue recognition (continued)

(II) SALE OF GOODS

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any sales discounts.

(III) RENTAL INCOME FROM OPERATING LEASES

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(IV) INTEREST INCOME

Interest income is recognised as it accrues using the effective interest method.

(V) GOVERNMENT GRANTS

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised as deferred income and consequently recognised in profit or loss over the useful life of the related asset.

(u) Translation of foreign currencies

Foreign currency transactions during the period are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity to which they relate at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency of the entity to which they relate using the foreign exchange rates ruling at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars, the Group's presentation currency, at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations acquired, are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group.

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 13 and 25 contain information about the assumptions and their risk factors relating to goodwill impairment and fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in Notes 2(m) and 2(t)(i), revenue recognition on an uncompleted service project is dependent on estimating the total outcome of the service contract, as well as the work done to date. Based on the Group's recent experience and the nature of the service activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in Note 18 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

(b) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual receivable balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the debtors were to deteriorate, actual write-offs would be higher than estimated.

(c) Impairment of tangible and intangible assets

If circumstances indicate that the carrying amount of tangible or intangible asset may not be recoverable, the asset may be considered "impaired", and an impairment loss may be recognised in accordance with accounting policy for impairment of tangible and intangible assets as described in Note 2(k)(ii). These assets are tested for impairment periodically or whenever the events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of the fair value less costs of disposal and value in use. In determining the value in use, expected future cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to the level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of the level of revenue and amount of operating costs. Changes in these estimates could have a significant impact on the recoverable amount of the assets and could result in additional impairment charge or reversal of impairment in future years, where applicable.

(d) Deferred tax

Deferred tax assets are recognised for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the deferred tax assets can be utilised. In determining the amount of deferred tax assets to be recognised, significant judgement is required relating to the timing and level of future taxable profits, after taking into account future tax planning strategies. The amount of deferred tax assets recognised at future dates are adjusted if there are significant changes from these estimates.

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 HK$'000	2016 HK$'000
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.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(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 as mentioned in Note 15, 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.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(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			
	Intelligent railway transportation HK$'000	**Civil communication transmission HK$'000**	**Business development investment HK$'000**	**Total HK$'000**
Revenue from external customers and reportable segment revenue	**450,071**	**114,516**	**–**	**564,587**
Reportable segment gross profit	**83,882**	**29,404**	**–**	**113,286**
Share of profits of joint ventures and an associate	**–**	**–**	**11,482**	**11,482**

	2016			
	Intelligent railway transportation HK$'000	Civil communication transmission HK$'000	Business development investment HK$'000	Total HK$'000
Revenue from external customers and reportable segment revenue	368,106	111,203	–	479,309
Reportable segment gross profit	57,598	46,387	–	103,985
Share of profits of joint ventures	–	–	128	128

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(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	**(85,500)**	(77,751)
Profit before taxation	**51,576**	29,925

(III) GEOGRAPHIC INFORMATION

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

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

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 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Interest income	**3,055**	4,238
Investment income	**4,116**	1,304
Net foreign exchange gain/(loss)	**2,786**	(2,267)
Government grants	**2,359**	990
Net loss on disposal of property, plant and equipment and intangible assets	**(8)**	(702)
	12,308	3,563

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	2017 HK$'000	2016 HK$'000
Salaries, wages and other benefits	**91,016**	70,223
Contributions to defined retirement plans	**9,394**	6,621
Equity-settled share-based payment expenses (Note 21)	**563**	3,931
	100,973	80,775

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 HK$'000	2016 HK$'000
Cost of inventories (Note 17(b))	**230,540**	194,256
Auditor's remuneration:		
– statutory audit services	**3,237**	2,917
– other services	**622**	725
Depreciation and amortisation (Notes 11 and 12)	**42,263**	36,095
Operating lease charges in respect of office premises	**8,426**	8,328

7 INCOME TAX

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

	2017 HK$'000	2016 HK$'000
Current taxation (Note 22(a)):		
– Hong Kong Profits Tax	**1,504**	807
– PRC Corporate Income Tax	**10,431**	12,045
	11,935	12,852
Deferred taxation (Note 22(b)):		
– Origination and reversal of temporary differences	**(5,599)**	(11,321)
	6,336	1,531

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

	2017 HK$'000	2016 HK$'000
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	**6,336**	1,531

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 ended 31 December 2017 or ending 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.

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2017						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (Note 21)	Total HK$'000
Executive directors							
Cao Wei	1,200	146	–	76	1,422	32	1,454
Xuan Jing	1,100	74	550	70	1,794	–	1,794
Shao Kai (resigned on 25 January 2017)	–	99	–	5	104	–	104
Non-executive directors							
Zheng Yi (appointed on 25 August 2017)	–	–	–	–	–	–	–
Guan Jifa	–	–	–	–	–	–	–
Hao Weiya	–	–	–	–	–	–	–
Ren Yuhang (appointed on 28 February 2017)	–	–	–	–	–	–	–
Independent non-executive directors							
Bai Jinrong	240	–	–	–	240	–	240
Luo Zhenbang	240	–	–	–	240	–	240
Huang Lixin	240	–	–	–	240	–	240
	3,020	319	550	151	4,040	32	4,072

8 DIRECTORS' EMOLUMENTS (CONTINUED)

	2016						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 (Note 21)	Total HK$'000
Executive directors							
Cao Wei	1,200	130	–	72	1,402	122	1,524
Xuan Jing	–	–	–	–	–	–	–
Shao Kai (resigned on 25 January 2017)	1,000	222	–	54	1,276	–	1,276
Non-executive directors							
Tian Zhenqing (resigned on 28 February 2017)	–	–	–	–	–	–	–
Guan Jifa	–	–	–	–	–	–	–
Hao Weiya	–	–	–	–	–	–	–
Ren Yuhang (appointed on 28 February 2017)	–	–	–	–	–	–	–
Independent non-executive directors							
Bai Jinrong	240	–	–	–	240	–	240
Luo Zhenbang	240	–	–	–	240	–	240
Huang Lixin	240	–	–	–	240	–	240
	2,920	352	–	126	3,398	122	3,520

There were no amounts paid during the year ended 31 December 2017 to the directors or any of the five highest paid individuals set out in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office. Other than Mr Zheng Yi, Mr Guan Jifa, Mr Hao Weiya and Mr Ren Yuhang (2016: Ms Xuan Jing, Mr Tian Zhenqing, Mr Guan Jifa and Mr Hao Weiya), no other directors waived or agreed to waive any emoluments during the year ended 31 December 2017. Mr Zheng Yi, Mr Guan Jifa, Mr Hao Weiya and Mr Ren Yuhang waived their respective directors' fees of HK$240,000 during the year ended 31 December 2017 (2016: HK$240,000).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2016: two) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2016: three) individuals are as follows:

	2017 HK$'000	2016 HK$'000
Salaries, allowances and benefits in kind	**2,711**	2,634
Discretionary bonuses	**1,245**	–
Retirement scheme contributions	**175**	126
Share-based payments (Note 21)	**66**	735
	4,197	3,495

The emoluments of the three (2016: three) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following band:

	2017	2016
HK$1,000,001 – HK$1,500,000	**3**	3

10 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 (Note 23(c)(ii))	**2,904**	9,095
Effect of shares repurchased (Note 23(c)(iii))	**(2,519)**	–
Weighted average number of ordinary shares at 31 December	**2,106,540**	1,540,269

(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 (Note 21)	**904**	7,511
Weighted average number of ordinary shares (diluted) at 31 December	**2,107,444**	1,547,780

11 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment, motor vehicles and others HK$'000	Electronic equipment HK$'000	Civil communication transmission systems HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:						
At 1 January 2016	738	4,514	5,401	173,387	–	184,040
Exchange adjustments	–	(265)	(324)	(12,533)	–	(13,122)
Additions	–	77	589	5,892	–	6,558
Additions through acquisition of business	–	–	–	54,965	–	54,965
Disposals	–	–	(48)	–	–	(48)
At 31 December 2016	738	4,326	5,618	221,711	–	232,393
Accumulated depreciation:						
At 1 January 2016	707	1,910	3,277	77,820	–	83,714
Exchange adjustments	–	(140)	(220)	(5,702)	–	(6,062)
Charge for the year	8	874	947	18,427	–	20,256
Written back on disposals	–	–	(44)	–	–	(44)
At 31 December 2016	715	2,644	3,960	90,545	–	97,864
Carrying amount:						
At 31 December 2016	23	1,682	1,658	131,166	–	134,529
Cost:						
At 1 January 2017	**738**	**4,326**	**5,618**	**221,711**	**–**	**232,393**
Exchange adjustments	**–**	**287**	**369**	**15,543**	**52**	**16,251**
Additions	**24**	**421**	**797**	**–**	**1,469**	**2,711**
Disposals	**(545)**	**(1,189)**	**(3,000)**	**–**	**–**	**(4,734)**
At 31 December 2017	**217**	**3,845**	**3,784**	**237,254**	**1,521**	**246,621**
Accumulated depreciation:						
At 1 January 2017	**715**	**2,644**	**3,960**	**90,545**	**–**	**97,864**
Exchange adjustments	**–**	**190**	**276**	**7,181**	**–**	**7,647**
Charge for the year	**8**	**853**	**960**	**23,903**	**–**	**25,724**
Written back on disposals	**(545)**	**(1,186)**	**(2,995)**	**–**	**–**	**(4,726)**
At 31 December 2017	**178**	**2,501**	**2,201**	**121,629**	**–**	**126,509**
Carrying amount:						
At 31 December 2017	**39**	**1,344**	**1,583**	**115,625**	**1,521**	**120,112**

12 INTANGIBLE ASSETS

	Software HK$'000	Golf club membership HK$'000	Income rights HK$'000	Total HK$'000
Cost:				
At 1 January 2016	83,784	722	101,109	185,615
Exchange adjustments	(6,334)	(22)	(6,668)	(13,024)
Additions	245	–	–	245
Additions through acquisition of business	–	–	10,979	10,979
Disposals	–	(700)	–	(700)
At 31 December 2016	77,695	–	105,420	183,115
Accumulated amortisation and impairment losses:				
At 1 January 2016	36,576	–	8,305	44,881
Exchange adjustments	(2,485)	–	(891)	(3,376)
Charge for the year	7,121	–	8,718	15,839
At 31 December 2016	41,212	–	16,132	57,344
Carrying amount:				
At 31 December 2016	36,483	–	89,288	125,771
Cost:				
At 1 January 2017	**77,695**	**–**	**105,420**	**183,115**
Exchange adjustments	**6,793**	**–**	**7,390**	**14,183**
Additions	**6,385**	**–**	**–**	**6,385**
At 31 December 2017	**90,873**	**–**	**112,810**	**203,683**
Accumulated amortisation and impairment losses:				
At 1 January 2017	**41,212**	**–**	**16,132**	**57,344**
Exchange adjustments	**2,971**	**–**	**1,454**	**4,425**
Charge for the year	**7,249**	**–**	**9,290**	**16,539**
At 31 December 2017	**51,432**	**–**	**26,876**	**78,308**
Carrying amount:				
At 31 December 2017	**39,441**	**–**	**85,934**	**125,375**

13 GOODWILL

	HK$'000
Cost:	
At 1 January 2016	65,265
Exchange adjustments	(4,152)
At 31 December 2016 and 1 January 2017	61,113
Exchange adjustments	4,284
At 31 December 2017	65,397
Accumulated impairment losses:	
At 1 January 2016, 31 December 2016, 1 January 2017 and 31 December 2017	–
Carrying amount:	
At 31 December 2017	**65,397**
At 31 December 2016	61,113

IMPAIRMENTS TESTS FOR CASH-GENERATING UNITS CONTAINING GOODWILL

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

	Note	**2017 HK$'000**	2016 HK$'000
Operations in the provision of application solutions related services	(i)	**54,670**	51,089
Operations related to the civil communication transmission systems business	(ii)	**10,727**	10,024
		65,397	61,113

Notes:

(i) The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2016: 3%). The cash flows are discounted using a discount rate of 16% (2016: 16%). The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

(ii) The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (2016: 3%). The cash flows are discounted using a discount rate of 16.5% (2016: 16.5%). The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU.

(Expressed in HK$ unless otherwise indicated)

14 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets and liabilities of the Group:

Name of subsidiary	Place of establishment/ incorporation and operations	Particulars of Registered/issued and paid-up capital	Proportion of ownership interest: The Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by subsidiaries	Principal activities
BII Transit Systems (Beijing) Co.,Ltd.* 億雅捷交通系統(北京)有限公司**	The PRC	Registered capital of Renminbi ("RMB") 50,000,000 and paid-up capital of RMB12,550,000	100%	–	100%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies
BII Transit Systems (HK) Co., Ltd	Hong Kong	1,000 shares	100%	–	100%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies
BII Transportation Technology (Beijing) Co., Ltd. ("BII ERG")* 北京京投億雅捷交通科技有限公司***	The PRC	RMB80,000,000	90%	–	90%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies
BII Technology Development Co.,Ltd* 北京京投卓越科技发展有限公司**	The PRC	RMB300,000,000	100%	–	100%	Design and sale of application solution software, and the lease of civil communication transmission systems to telecommunication companies
China City Railway Transportation Technology Investment Company Limited ("CCRTT Investment")*	Hong Kong	10 shares	70%	–	70%	Investment holding

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

** These companies are wholly foreign owned enterprises established in the PRC.

*** This company is a foreign investment enterprise established in the PRC.

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the financial information of BII ERG and CCRTT Investment, the subsidiaries of the Group which have non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	BII ERG		CCRTT Investment	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
NCI percentage	**10%**	10%	**30%**	30%
Turnover	**366,683**	290,199	**–**	–
Profit for the year	**47,741**	23,780	**6,372**	960
Profit attributable to NCI	**4,774**	2,378	**1,912**	288
Non-current assets	**19,981**	23,761	**23,719**	18,680
Current assets	**678,591**	439,181	**1,474**	3,930
Current liabilities	**(517,433)**	(344,226)	**(17,861)**	(21,650)
Non-current liabilities	**(2,811)**	(3,321)	**–**	–
Net assets	**178,328**	115,395	**7,332**	960
Net assets attributable to NCI	**17,833**	11,540	**2,200**	288

15 INTERESTS IN JOINT VENTURES AND AN ASSOCIATE

	2017 HK$'000	2016 HK$'000
Unlisted equity investments at cost	**384,698**	312,442
Share of profits	**11,610**	128
Dividend received	**(1,374)**	–
Exchange adjustments	**(106)**	–
	394,828	312,570

(Expressed in HK$ unless otherwise indicated)

15 INTERESTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

Details of the Group's interests in joint ventures and an associate, which are accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture/ associate	Note	Place of establishment and operations	Particulars of registered and paid up capital	Proportion of ownership interest: The Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Joint ventures							
Beijing Metro Science and Technology Development Co., Ltd. ("Metro Science and Technology")* 北京地鐵科技發展有限公司	(i)	The PRC	RMB 30,000,000	49%	–	49%	Maintenance of application solutions for the networking and controlling systems of public transport companies
Beijing Metro Co., Ltd. ("Beijing Metro")* 北京京城地鐵有限公司	(ii)	The PRC	RMB 500,000,000	49%	49%	–	Subway operations management
Beijing Cornerstone Chuangying Investment Management Centre (Limited Liability Partnership) ("Chuangying Centre")* 北京基石創盈投資管理中心（有限合夥）	(iii)	The PRC	RMB 2,000,000	20%	–	20%	Management of assets and investment
Beijing Cornerstone Chuangying Investment Centre (Limited Liability Partnership) ("Cornerstone Chuangying")* 北京基石創盈投資中心（有限合夥）	(iii)	The PRC	RMB 201,000,000	24.88%	–	24.88%	Investment holding
Associate							
Baoding Cornerstone Lianying Venture Capital Investment Fund Centre (Limited Liability Partnership) ("Cornerstone Lianying")* 保定基石連盈創業投資基金中心(有限合夥)	(iv)	The PRC	RMB 313,000,000	7.99%	–	7.99%	Investment holding

* The English translation of the names are for reference only and the official names of these entities are in Chinese.

15 INTERESTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

Notes:

(i) Metro Science and Technology was established on 18 February 2016 by the Group, through a subsidiary, with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the maintenance of application solutions for the networking and controlling systems of public transport in Mainland China. Metro Science and Technology is a private company whose quoted market price is not available.

(ii) Beijing Metro was established on 15 February 2016 by the Company with a major subway operation company in Beijing, the other investor to this joint venture, to carry out the operational management for subway lines in Beijing. Beijing Metro is a private company whose quoted market price is not available.

(iii) The Group is a limited partner of Chuangying Centre and Cornerstone Chuangying, which are partnership entities and have two and five other partners, respectively. The Group provided 20% and 24.88% capital contribution into these two partnership entities. Pursuant to the partnership agreement, the Group has joint control over the governing body of respective partnership. Chuangying Centre is the general partner of Cornerstone Chuangying.

(iv) The Group is a limited partner of Cornerstone Lianying which is a partnership entity and has 14 other partners. The Group provided 7.99% capital contribution into the partnership entity. Pursuant to the partnership agreement, the Group has the right to cast one vote at the investment committee's meeting, the governing body which directs the relevant activities that significantly affect the returns of Cornerstone Lianying.

Summarised financial information of the joint ventures, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	Metro Science and Technology		Beijing Metro	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Gross amounts of the joint ventures				
Current assets	**236,994**	53,847	**454,912**	599,293
Non-current assets	**2,834**	2,797	**1,695,269**	976
Current liabilities	**(191,422)**	(18,520)	**(1,533,782)**	(496)
Net assets	**48,406**	38,124	**616,399**	599,773
Included in the above assets and liabilities:				
Cash and cash equivalents	**46,901**	20,730	**336,788**	556,762
Current financial liabilities (excluding trade and other payables and provisions)	**971**	–	**6,551**	–
Revenue	**338,074**	84,957	**121,580**	957
Profit/(loss) for the year/period from the date of establishment to 31 December	**13,087**	1,989	**16,627**	(1,727)
Included in the above profit/(loss):				
Depreciation	**494**	(121)	**32,014**	(40)
Interest income	**(252)**	168	**(5,721)**	3,480
Reconciled to the Group's interests in the joint ventures				
Gross amounts of the joint ventures' net assets	**48,406**	38,124	**616,399**	599,773
Carrying amounts in the consolidated financial statements	**23,719**	18,681	**302,036**	293,889

15 INTERESTS IN JOINT VENTURES AND AN ASSOCIATE (CONTINUED)

	Chuangying Centre 2017 HK$'000	Cornerstone Chuangying 2017 HK$'000
Gross amounts of the joint ventures		
Current assets	2,503	130,445
Non-current assets	1,196	97,437
Current liabilities	(1,365)	(180)
Net assets	2,334	227,702
Included in the above assets and liabilities:		
Cash and cash equivalents	427	13,119
Current financial liabilities (excluding trade and other payables and provisions)	–	–
Revenue	3,384	–
Loss for the period from the date of establishment to 31 December 2017	(56)	(12,327)
Included in the above loss:		
Depreciation	–	100
Interest income	(7)	(79)
Reconciled to the Group's interests in the joint ventures		
Gross amounts of the joint ventures' net assets	2,334	227,702
Carrying amounts in the consolidated financial statements	467	56,643

As at 31 December 2017, Cornerstone Lianying has not carried out any operation, therefore the Group's interests in the associate represents the capital paid up by the Group amounted to RMB10,000,000 (equivalent to HK$11,963,000).

16 AVAILABLE-FOR-SALE DEBT INVESTMENTS

	2017 HK$'000	2016 HK$'000
Unlisted debt investments	116,760	128,564

The unlisted debt investments represent wealth management products issued by financial institutions with guaranteed principal amounts plus variable returns.

17 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2017 HK$'000	2016 HK$'000
Application solution related software, hardware and spare parts	**67,558**	62,707
Materials to be assigned to services contracts	**11,023**	6,314
	78,581	69,021

(b) The analysis of the amount of inventories recognised as an expense and included in the consolidated statement of profit or loss during the year is as follows:

	2017 HK$'000	2016 HK$'000
Carrying amount of inventories sold	**230,540**	194,256

18 TRADE AND OTHER RECEIVABLES

	Note	2017 HK$'000	2016 HK$'000
Trade receivables due from:	18(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 equity holder of the non-controlling equity holder of a subsidiary of the Group		**21,893**	20,605
Bills receivable		**6,241**	–
		370,347	353,704
Gross amount due from customers for contract work:	18(c)		
– third parties		**186,056**	122,178
– an affiliate of an equity shareholder of the Company		**57,439**	14,606
– an equity holder of the non-controlling equity holder of a subsidiary of the Group		**11,168**	4,485
		254,663	141,269
Amounts due from related parties:	18(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		**957**	–
		2,551	270
Prepayments, deposits and other receivables		**30,222**	29,367
		657,783	524,610

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 HK$'000	2016 HK$'000
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
	370,347	353,704

The Group's credit policy is set out in Note 25(a).

(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 HK$'000	2016 HK$'000
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
	370,347	353,704

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).

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(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.

19 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at bank and on hand	**1,128,780**	1,118,431

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

20 TRADE AND OTHER PAYABLES

	Note	2017 HK$'000	2016 HK$'000
Trade payables due to third parties		**317,782**	211,939
Bills payables		**23,816**	21,354
	20(a)	**341,598**	233,293
Amounts due to related parties:	20(b)		
– an affiliate of an equity shareholder of the Company		**723**	235
– a non-controlling equity holder of a subsidiary of the Group		**5,400**	5,400
		6,123	5,635
Accrued expenses and other payables		**29,631**	15,275
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		**9,569**	8,942
		437,580	317,908

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.

20 TRADE AND OTHER PAYABLES (CONTINUED)

(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 HK$'000	2016 HK$'000
Due within 1 month or on demand	**318,754**	213,608
Due after 1 month but within 6 months	**22,844**	19,685
	341,598	233,293

(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.

21 EQUITY-SETTLED SHARE-BASED TRANSACTION

The Company has a share option scheme which was adopted on 8 December 2011 and revised on 24 September 2013 whereby the directors of the Company are authorised, at their discretion, to invite (i) any employee or proposed employee (whether full-time or part-time) of any member of the Group or any entity in which any member of the Group holds an equity interest ("Invested Entity"); (ii) any executive or non-executive directors including independent non-executive directors of any member of the Group or any Invested Entity; (iii) any supplier of goods or services to any member of the Group or any Invested Entity; (iv) any customer of the Group or any Invested Entity; (v) any shareholder of any member of the Group or any Invested Entity; or (vi) any other group or classes of participants from time to time determined by the directors of the Company as having contributed or may contribute by way of joint ventures, business alliances or other business arrangements to the developments and growth of the Group, to take up options at HK$1.00 as consideration to subscribe for ordinary shares in the Company.

For the share options granted on 26 July 2012, 31 December 2013 and 5 December 2014, 20% will vest after one year from the respective dates of grant; another 50% will vest after two years from the respective dates of grant; and the remaining 30% will vest after three years from the respective dates of grant. The share options granted on 26 July 2012 has lapsed on 25 July 2017, and the share options granted on 31 December 2013 and 5 December 2014 will lapse on 30 December 2018 and 4 December 2019, respectively. Each share option gives the holder the right to subscribe for one ordinary share in the Company.

(Expressed in HK$ unless otherwise indicated)

21 EQUITY-SETTLED SHARE-BASED TRANSACTION (CONTINUED)

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
on 26 July 2012	480,000	One year from the date of grant	5 years
on 26 July 2012	1,200,000	Two years from the date of grant	5 years
on 26 July 2012	720,000	Three years from the date of grant	5 years
on 5 December 2014	100,000	One year from the date of grant	5 years
on 5 December 2014	250,000	Two years from the date of grant	5 years
on 5 December 2014	150,000	Three years from the date of grant	5 years
Options granted to equity shareholder:			
on 5 December 2014	260,000	One year from the date of grant	5 years
on 5 December 2014	650,000	Two years from the date of grant	5 years
on 5 December 2014	390,000	Three years from the date of grant	5 years
Options granted to employees:			
on 26 July 2012	7,360,000	One year from the date of grant	5 years
on 26 July 2012	18,400,000	Two years from the date of grant	5 years
on 26 July 2012	11,040,000	Three years from the date of grant	5 years
on 31 December 2013	4,000,000	One year from the date of grant	5 years
on 31 December 2013	10,000,000	Two years from the date of grant	5 years
on 31 December 2013	6,000,000	Three years from the date of grant	5 years
on 5 December 2014	3,640,000	One year from the date of grant	5 years
on 5 December 2014	9,100,000	Two years from the date of grant	5 years
on 5 December 2014	5,460,000	Three years from the date of grant	5 years
Total share options granted	79,200,000		

21 EQUITY-SETTLED SHARE-BASED TRANSACTION (CONTINUED)

(b) The number and weighted average exercise price of share options are as follows:

	2017		2016	
	Weighted average exercise price	**Number of share options '000**	Weighted average exercise price	Number of share options '000
Outstanding at the beginning of the year	**HK$1.875**	**33,850**	HK$1.593	51,800
Exercised during the year	**HK$0.892**	**(3,632)**	HK$0.748	(13,780)
Forfeited during the year	**HK$2.585**	**(1,318)**	HK$1.949	(4,170)
Outstanding at the end of the year	**HK$1.966**	**28,900**	HK$1.875	33,850
Exercisable at the end of the year	**HK$1.966**	**28,900**	HK$1.729	28,705

The weighted average share price at the date of exercise for share options exercised during the year ended 31 December 2017 was HK$1.48 (2016: HK$1.36).

The share options outstanding at 31 December 2017 had a weighted average exercise price of HK$1.966 (2016: HK$1.875) and a weighted average remaining contractual life of 1.51 years (2016: 2.40 years).

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movements of current taxation in the consolidated statement of financial position are as follows:

	2017 HK$'000	2016 HK$'000
Income tax payable at 1 January	**36,205**	44,720
Provision for income tax on the estimated taxable profits for the year (Note 7(a))	**11,935**	12,852
Income tax paid during the year	**(10,910)**	(21,367)
Income tax payable at 31 December	**37,230**	36,205

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) Deferred tax assets and liabilities recognised:

The component of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Assets				Liabilities	
Deferred tax arising from:	Amortisation and depreciation expenses in excess of the tax allowances HK$'000	Accruals HK$'000	Unused tax losses HK$'000	Total HK$'000	Fair value adjustments on intangible assets and related amortisation HK$'000	Net HK$'000
At 1 January 2016	4,536	1,437	2,914	8,887	(25,081)	(16,194)
Exchange adjustments	(212)	(629)	(66)	(907)	1,661	754
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(476)	12,829	(2,848)	9,505	1,816	11,321
Additions through acquisition of business	2,803	–	–	2,803	(2,653)	150
At 31 December 2016	6,651	13,637	–	20,288	(24,257)	(3,969)
Exchange adjustments	327	1,102	–	1,429	(1,756)	(327)
(Charged)/credited to the consolidated statement of profit or loss (Note 7(a))	(509)	4,203	–	3,694	1,905	5,599
At 31 December 2017	**6,469**	**18,942**	**–**	**25,411**	**(24,108)**	**1,303**

(c) Deferred tax liabilities not recognised

At 31 December 2017, temporary differences relating to the retained profits of the subsidiaries of the Group established in the PRC (excluding Hong Kong) amounted to HK$409,632,000 (2016: HK$362,681,000) of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share capital HK$'000 (Note 23(c))	Share premium HK$'000 (Note 23(d)(i))	Capital reserve HK$'000 (Note 23(d)(ii))	Treasury share reserve HK$'000 (Note 23(d)(iii))	Accumulated losses HK$'000	Total HK$'000
At 1 January 2016	14,233	950,819	52,802	–	(61,526)	956,328
Changes in equity for 2016:						
Total comprehensive income	–	–	–	–	(13,065)	(13,065)
Issuance of shares	6,691	896,032	–	–	–	902,723
Shares issued under share option scheme (Note 23(c)(ii))	138	12,616	(2,451)	–	–	10,303
Equity-settled share-based transactions (Note 21)	–	–	3,931	–	–	3,931
	6,829	908,648	1,480	–	(13,065)	903,892
At 31 December 2016	21,062	1,859,467	54,282	–	(74,591)	1,860,220
At 1 January 2017	**21,062**	**1,859,467**	**54,282**	**–**	**(74,591)**	**1,860,220**
Changes in equity for 2017:						
Total comprehensive income	**–**	**–**	**–**	**–**	**(5,412)**	**(5,412)**
Shares issued under share option scheme (Note 23(c)(ii))	**36**	**3,897**	**(694)**	**–**	**–**	**3,239**
Equity-settled share-based transactions (Note 21)	**–**	**–**	**563**	**–**	**–**	**563**
Purchase of own shares (Note 23(c)(iii))	**–**	**–**	**–**	**(5,848)**	**–**	**(5,848)**
Cancellation of shares (Note 23(c)(iii))	**(50)**	**(5,798)**	**–**	**5,848**	**–**	**–**
	(14)	**(1,901)**	**(131)**	**–**	**(5,412)**	**(7,458)**
At 31 December 2017	**21,048**	**1,857,566**	**54,151**	**–**	**(80,003)**	**1,852,762**

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) 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 $0.01 per ordinary share (2016: HK$Nil)	**21,048**	–

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 of the Company did not recommend a final dividend for the year ended 31 December 2016 (2015: HK$Nil).

(c) Share capital

(I) AUTHORISED AND ISSUED SHARE CAPITAL

	2017		2016	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**5,000,000,000**	**50,000**	5,000,000,000	50,000
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 23(c)(ii))	**3,632,000**	**36**	13,780,000	138
Cancellation of shares (Note 23(c)(iii))	**(5,000,000)**	**(50)**	–	–
At 31 December	**2,104,786,727**	**21,048**	2,106,154,727	21,062

(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 set out in Note 2(q)(ii).

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(c) Share capital (continued)

(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 HK$	Lowest priced paid per share HK$	Aggregate price paid HK$'000
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 '000
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. Further details of these share options are set out in Note 21 to the financial statements.

(d) Nature and purpose of reserves

(I) SHARE PREMIUM

The application of the share premium account is governed by Section 34 of the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

(II) CAPITAL RESERVE

The capital reserve represents (i) the difference between the carrying values of the controlling equity interests in subsidiaries acquired and the considerations paid under the reorganisation took place in 2011; and (ii) the portion of the grant date fair value of unexercised share options granted to directors and equity shareholder of the Company and employees of the Group that has been recognised in accordance with the accounting policy adopted for share-based payments in Note 2(q)(ii).

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Nature and purpose of reserves (continued)

(III) STATUTORY RESERVES

In accordance with the articles of association of the subsidiaries of the Group established in the PRC (excluding Hong Kong), these subsidiaries were required to set up certain statutory reserves, which were non-distributable. The transfers to these reserves are governed by the articles of association of the respective subsidiaries. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(IV) EXCHANGE RESERVE

The exchange reserve comprises foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong into the presentation currency. The reserve is dealt with in accordance with the accounting policy set out in Note 2(u).

(e) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher equity shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of an adjusted debt-to-capital ratio. For this purpose, the Group defines adjusted debt as total debt (which includes trade and other payables) plus unaccrued proposed dividends. Adjusted capital comprises all components of equity less unaccrued proposed dividends.

During the year ended 31 December 2017, the Group's strategy was to maintain the adjusted debt-to-capital ratio at a level similar to 31 December 2016. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted debt-to-capital ratio at 31 December 2017 and 2016 is as follows:

	2017 **HK$'000**	2016 HK$'000
Trade and other payables	**437,580**	317,908
Total equity	**2,214,109**	2,116,527
Adjusted debt-to-capital ratio	**19.8%**	15.0%

24 COMMITMENTS

(a) Capital commitments

At 31 December 2017, the outstanding capital commitments of the Group not provided for in the consolidated financial statements were as follows:

	2017 HK$'000	2016 HK$'000
Authorised and contracted for commitment in respect of investments in equity securities:		
Within 1 year	**15,074**	56,121
After 1 year but within 2 years	**8,972**	–
	24,046	56,121

(b) Operating lease commitments

(i) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**8,961**	7,574
After 1 year but within 5 years	**5,143**	5
	14,104	7,579

The Group leases certain office premises under operating leases. The leases typically run for an initial period of 1 to 3 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent lease rentals.

(ii) At 31 December 2017, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2017 HK$'000	2016 HK$'000
Within 1 year	**117,712**	101,160
After 1 year but within 5 years	**102,418**	56,603
	220,130	157,763

The Group leases out its civil communication transmission systems to telecommunication companies under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent lease rentals.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to trade and other receivables and available-for-sale debt investments. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. For project contracts, the Group generally requires customers to settle billings in accordance with contracted terms, whereas for sales of goods and provision of services, the Group generally requires customers to settle immediately after the completion of the related transactions. Credit terms of 30 days may be granted to certain customers for progress billings. Credit terms of one to three years may be granted to customers for retention receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2017, 25% (2016: 24%) of the trade receivables were due from the Group's largest debtor, and 61% (2016: 61%) of the trade receivables were due from the Group's five largest debtors.

Available-for-sale debt investments represent wealth management products issued by financial institutions with sound credit rating. Given its high credit standing, management does not expect these financial institutions to fail to meet their obligations.

The Group does not provide any other guarantees which would expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables and available-for-sale debt investments are set out in Notes 18 and 16, respectively.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

The Company is responsible for the Group's overall cash management and the raising of borrowings to cover expected cash demands. The Group's policy is to regularly monitor its current and expected liquidity requirements, to ensure that it maintains sufficient reserves of cash to meet its liquidity requirement in the short and longer term.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities which are based on contractual undiscounted cash flows and the earliest dates the Group can be required to pay:

	2017		2016	
	Contractual undiscounted cash outflow within 1 year or on demand HK$'000	**Carrying amount HK$'000**	Contractual undiscounted cash outflow within 1 year or on demand HK$'000	Carrying amount HK$'000
Trade and other payables measured at amortised cost	**377,352**	**377,352**	271,690	271,690

(c) Interest rate risk

The Group is not exposed to significant interest rate risk, as the Group does not have any interest bearing borrowings at 31 December 2017 and 2016.

(d) Foreign currency exchange risk

The Group is exposed to currency risk primarily through other receivables that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk is primarily RMB.

(I) EXPOSURE TO CURRENCY RISK

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in HK$, translated using the spot rates at the year end date. Differences resulting from the translation of the financial statements of foreign operations into the Group's presentation currency are excluded.

	Exposure to foreign currencies	
	2017 RMB HK$'000	2016 RMB HK$'000
Other receivables	**47,741**	44,613

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(d) Foreign currency exchange risk (continued)

(II) SENSITIVITY ANALYSIS

The following table indicates the instantaneous change in the Group's profit after tax and retained profits that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

	2017		2016	
	Increase/ (decrease) in foreign exchange rates	**Increase/ (decrease) in profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Increase/ (decrease) in profit after tax and retained profits HK$'000
RMB	**10%**	**4,774**	10%	4,461
	(10%)	**(4,774)**	(10%)	(4,461)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' profit after tax and retained profits measured in the respective functional currencies, translated into HK$ at the exchange rates ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period, including inter-company receivables within the Group which are denominated in a currency other than the functional currencies of the borrower. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2016.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(e) Financial instruments measured at fair value

(I) FAIR VALUE HIERARCHY

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

Level 1 valuations: Fair value measured using only Level 1 inputs, i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 valuations: Fair value measured using Level 2 inputs, i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available.

Level 3 valuations: Fair value measured using significant unobservable inputs.

	Fair value measurements categorised into Level 2	
	2017	2016
	HK$'000	HK$'000
Recurring fair value measurements		
Unlisted debt investments (Note 16)	**116,760**	128,564

(II) VALUATION TECHNIQUES AND INPUTS USED IN LEVEL 2 FAIR VALUE MEASUREMENTS

The fair value of unlisted debt investments are the estimated amount that the Group would receive at the end of the reporting period, taking into account current market interest rates of debt instruments with similar risk profile.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2017 and 2016.

26 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in these financial statements, the material related party transactions entered into by the Group during the year are set out below.

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

	2017 HK$'000	2016 HK$'000
Provision of design, implementation and sale of application solution services	**72,206**	29,673
Provision of maintenance of application solution services	**43,910**	43,362
Provision of civil communication transmission services	**292**	–
Operating lease expenses	**4,859**	5,514
Net increase in advances received	**–**	(502)

(b) Transactions with an equity holder of the non-controlling equity holder of a subsidiary of the Group

	2017 HK$'000	2016 HK$'000
Provision of design, implementation and sale of application solution services	**5,808**	3,819
Technical service costs	**–**	2,377
Net increase in receipts in advance received	**1,584**	8,942

(c) Transactions with a non-controlling equity holder of a subsidiary of the Group

	2017 HK$'000	2016 HK$'000
Increase in advance received	**–**	5,400

(d) Transactions with joint ventures and an associate

	2017 HK$'000	2016 HK$'000
Capital contributions	**72,256**	312,442
Dividend receivable from a joint venture	**1,374**	–

26 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the directors of the Company as disclosed in Note 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

	2017 HK$'000	2016 HK$'000
Short-term employee benefits	**9,890**	11,025
Retirement scheme contributions	**416**	530
Equity compensation benefits	**165**	527
	10,471	12,082

Total remuneration is included in "staff costs" (see Note 6(a)).

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

The ultimate holding company of the Company, BII, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 26(a) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- provision of design, implementation and sale of application solution services;
- maintenance of application solution services;
- civil communication transmission services;
- bank deposits; and
- purchase of available-for-sale debt investments.

(g) Applicability of the Listing Rules relating to connected transactions

For the year ended 31 December 2017, the above related party transactions in respect of the provision of design, implementation and sale of application solution services, the provision of maintenance of application solution services and operating leases, with affiliates of equity shareholders of the Company and an equity holder of the non-controlling equity holder of a subsidiary of the Group, where applicable, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Continuing connected transactions" of the Directors' Report.

27 THE COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	**2017 HK$'000**	2016 HK$'000
Non-current assets			
Investments in subsidiaries	14	**526,909**	526,132
Interest in a joint venture		**294,735**	294,735
		821,644	820,867
Current assets			
Other receivables		**57,637**	62,652
Cash and cash equivalents		**976,945**	981,337
		1,034,582	1,043,989
Current liabilities			
Accrued expenses and other payables		**3,464**	4,636
Net current assets		**1,031,118**	1,039,353
NET ASSETS		**1,852,762**	1,860,220
CAPITAL AND RESERVES	23		
Share capital		**21,048**	21,062
Reserves		**1,831,714**	1,839,158
TOTAL EQUITY		**1,852,762**	1,860,220

Approved and authorised for issue by the board of directors on 27 March 2018.

Cao Wei
Director

Xuan Jing
Director

28 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

After the end of the reporting period the directors of the Company proposed a final dividend. Further details are disclosed in Note 23(b).

On 2 February 2018, one wholly owned subsidiary of the Group and other two parties established a company. The committed capital contribution is amounted to RMB10 million.

29 COMPARATIVE FIGURES

In view of the continuous integration of the system integration and maintenance businesses, the management of the Group considered it has been increasingly difficult to present these activities separately, together with the expansion of investment business, certain information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment has been changed for the year ended 31 December 2017. Accordingly, certain comparative figures have been adjusted to conform to current year's presentation. Further details are set out in Note 4(b).

30 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2017, the directors of the Company consider the immediate and ultimate controlling party of the Company to be BII HK, a company incorporated in Hong Kong, and BII, a company established in the PRC, respectively. Neither of these companies produces financial statements available for public use.

(Expressed in HK$ unless otherwise indicated)

31 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017

Up to the date of these financial statements, the IASB has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2017 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Annual Improvements to IFRSs 2014-2016 Cycle	1 January 2018
Amendments to IFRS 2, *Share-based payment: Classification and measurement of share-based payment transactions*	1 January 2018
IFRS 15, *Revenue from contracts with customers*	1 January 2018
IFRS 9, *Financial instruments*	1 January 2018
IFRIC 22, *Foreign currency transactions and advance consideration*	1 January 2018
Annual Improvements to IFRSs 2015-2017 Cycle	1 January 2019
Amendments to IAS 28, *Long-term interest in associates and joint ventures*	1 January 2019
IFRS 16, *Leases*	1 January 2019

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far the Group has identified some aspects of the new standards which may have a significant impact on the consolidated financial statements. Further details of the expected impacts are discussed below. While the assessment has been substantially completed for IFRS 9 and IFRS 15, the actual impacts upon the initial adoption of the standards may differ as the assessment completed to date is based on the information currently available to the Group, and further impacts may be identified before the standards are initially applied in the Group's interim financial report for the six months ending 30 June 2018. The Group may also change its accounting policy elections, including the transition options, until the standards are initially applied in that financial report.

31 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 9, *Financial instruments*

IFRS 9 will replace the current standard on accounting for financial instruments, IAS 39, *Financial instruments: Recognition and measurement.* IFRS 9 introduces new requirements for classification and measurement of financial assets, including the measurement of impairment for financial assets and hedge accounting. On the other hand, IFRS 9 incorporates without substantive changes to the requirements of IAS 39 for recognition and derecognition of financial instruments and the classification and measurement of financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018 on a retrospective basis. The Group plans to use the exemption from restating comparative information and will recognise any transition adjustments against the opening balance of equity at 1 January 2018. Expected impacts of the new requirements on the Group's financial statements are as follows:

(A) CLASSIFICATION AND MEASUREMENT

IFRS 9 contains three principal classification categories for financial assets: measured at (1) amortised cost, (2) fair value through profit or loss (FVTPL) and (3) fair value through other comprehensive income (FVTOCI):

- The classification for debt instruments is determined based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the asset. If a debt instrument is classified as FVTOCI then interest revenue, impairment and gains/losses on disposal will be recognised in profit or loss.

- For equity securities, the classification is FVTPL regardless of the entity's business model. The only exception is if the equity security is not held for trading and the entity irrevocably elects to designate that security as FVTOCI. If an equity security is designated as FVTOCI then only dividend income on that security will be recognised in profit or loss. Gains, losses and impairments on that security will be recognised in other comprehensive income without recycling.

The Group has assessed that its financial assets currently measured at amortised cost will continue with their respective classification and measurements upon the adoption of IFRS 9.

The classification and measurement requirements for financial liabilities under IFRS 9 are largely unchanged from IAS 39, except that IFRS 9 requires the fair value change of a financial liability designated at FVTPL that is attributable to changes of that financial liability's credit risk to be recognised in other comprehensive income (without reclassification to profit or loss). The Group currently does not have any financial liabilities designated at FVTPL and therefore this new requirement will not have any impact on the Group on adoption of IFRS 9.

31 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 9, *Financial instruments* (continued)

(B) IMPAIRMENT

The new impairment model in IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" model. Under the expected credit loss model, it will no longer be necessary for a loss event to occur before an impairment loss is recognised. Instead, an entity is required to recognise and measure either a 12-month expected credit loss or a lifetime expected credit loss, depending on the asset and the facts and circumstances. The Group expects that the application of the expected credit loss model will result in earlier recognition of credit losses. However, a more detailed analysis is required to determine the extent of the impact.

IFRS 15, *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for recognising revenue from contracts with customers. IFRS 15 will replace the existing revenue standards, IAS 18, Revenue, which covers revenue arising from sale of goods and rendering of services, and IAS 11, Construction contracts, which specifies the accounting for revenue from construction contracts.

Based on the assessment completed to date, the Group has identified the following areas which are expected to be affected:

(A) TIMING OF REVENUE RECOGNITION

The Group's revenue recognition policies are disclosed in Note 2(t). Currently, revenue arising from construction contracts and the provision of services is recognised over time, whereas revenue from the sale of goods is generally recognised when the risks and rewards of ownership have passed to the customers.

Under IFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. IFRS 15 identifies 3 situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

31 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2017 (CONTINUED)

IFRS 15, *Revenue from contracts with customers* (continued)

(A) TIMING OF REVENUE RECOGNITION (CONTINUED)

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under IFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that will be considered in determining when the transfer of control occurs.

The Group is currently assessing the impacts of adopting IFRS 15 on its financial statements. Further analysis is required to determine whether this change in accounting policy may have a material impact on the amounts reported in any given financial reporting period.

(B) SIGNIFICANT FINANCING COMPONENT

IFRS 15 requires an entity to adjust the transaction price for the time value of money when a contract contains a significant financing component, regardless of whether the payments from customers are received significantly in advance or in arrears.

Currently, the Group would only apply such a policy when payments are significantly deferred. The Group is in the process of making an assessment of the impact of the financing benefit obtained from customers.

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BII Railway Transportation Technology Holdings Company Limited

This annual report is printed on environmental friendly paper