中國城市軌道交通科技控股

CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

中國城市軌道交通科技控股有限公司
China City Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8240

Annual Report 2012

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This report, for which the directors (the "**Directors**") of China City Railway Transportation Technology Holdings Company Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its publication and the Company's website at www.ccrtt.com.hk.

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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cao Wei *(Chief executive officer)*
Mr. Chen Rui

NON-EXECUTIVE DIRECTORS

Dr. Tian Zhenqing *(Chairman)*
Mr. Steven Bruce Gallagher

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Zhaoguang
Mr. Bai Jinrong
Dr. Kong Shin Long, Johnny *CPA*

COMPLIANCE ADVISER

Guotai Junan Capital Limited

AUTHORISED REPRESENTATIVES

Mr. Cao Wei
Mr. Lau Kwok Fai, Patrick *CPA, FCCA*

COMPANY SECRETARY

Mr. Lau Kwok Fai, Patrick *CPA, FCCA*

AUDIT COMMITTEE

Dr. Kong Shin Long, Johnny *CPA (Chairman)*
Mr. Hu Zhaoguang
Mr. Bai Jinrong

REMUNERATION COMMITTEE

Mr. Hu Zhaoguang *(Chairman)*
Mr. Cao Wei
Mr. Bai Jinrong

NOMINATION COMMITTEE

Dr. Tian Zhenqing *(Chairman)*
Mr. Hu Zhaoguang
Mr. Bai Jinrong

COMPLIANCE OFFICER

Mr. Cao Wei

AUDITORS

KPMG

LEGAL ADVISERS TO THE COMPANY

As to Hong Kong Law
Chiu & Partners

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Scotia Centre, 4th Floor
PO Box 2804
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

Butterfield Fulcrum Group (Cayman) Limited
Butterfield House
68 Fort Street, P.O. Box 609
Grand Cayman, KY1-1107
Cayman Islands

BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.ccrtt.com.hk

STOCK CODE

8240

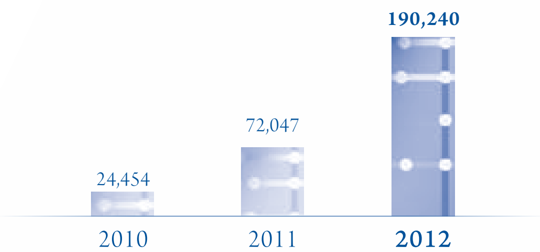
Financial Highlights

For the year ended 30 June	2012	2011	2010
Key Profit and Loss Items (HK$ Thousand)			
Revenue	**190,240**	72,047	24,454
Gross profit	**133,837**	44,803	12,034
Gross margin	**70.4%**	62.2%	49.2%
Profit attributable to equity shareholders of the Company	**80,715**	40,470	4,948
Net margin	**42.4%**	56.2%	20.2%

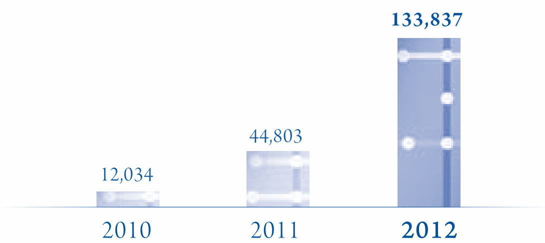
As at 30 June	2012	2011	2010
Key Statement of Financial Position Items (HK$ Thousand)			
Non-current assets	**66,373**	19,736	10,829
Current assets	**398,208**	66,385	12,906
Total liabilities^	**124,767**	45,165	1,610
Equity attributable to equity shareholders of the Company	**339,814**	40,956	22,125
Net gearing	–	37.4%	–

Financial Year	2012	2011	2010
Return to shareholders			
Return on equity	**23.8%**	98.8%	22.4%
Earnings per share (HK cents)	**13**	8	n.a.*

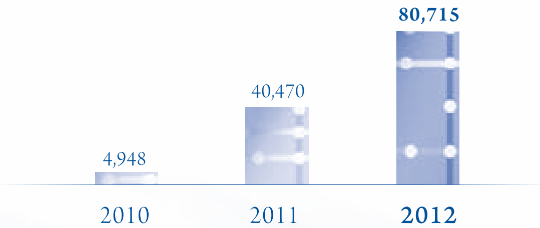
Revenue (HK$ Thousand)



Gross Profit (HK$ Thousand)



Profit Attributable to Equity Shareholders of the Company (HK$ Thousand)



^ the Group has current liabilities only

* not presented as it is considered not meaningful due to the reorganisation of the Group for the listing purpose

Chairman's

Statement

Tian Zhenqing, *Chairman*

On behalf of the Board (the "Board") of directors (the "Directors"), I am pleased to present the annual results of China City Railway Transportation Technology Holdings Company Limited and its subsidiaries (together referred to as the "Group") for the year ended 30 June 2012.

RESULTS

Our Group continued to perform strongly during the year ended 30 June 2012 and achieved remarkable growth both in revenue and profit. For the year ended 30 June 2012, our Group recorded revenue of approximately HK$190.2 million, an increase of approximately 164.2% from approximately HK$72.0 million for the last financial year. Profit attributable to the equity shareholders of the Company surged to approximately HK$80.7 million, representing an increase of approximately 99.3% from approximately HK$40.5 million for the last year. Eliminating the effect of one-off listing expenses of approximately HK$11.3 million, the profit attributable to equity shareholders of the Company increased significantly by approximately 127.2%. The substantial increases in revenue and profit attributable to the equity shareholders of the Company were mainly due to the significant growth in the sales of application solutions related hardware and spare parts, in particular card readers, as well as the sales of application solution software products.

The basic earnings per share of our Group for the year ended 30 June 2012 was HK$0.13 (2011: HK$0.07).

DIVIDENDS

The Board recommends the payment of a final dividend of 2.5 HK cents (2011: nil) per share for 2012, payable on or about Thursday, 20 December 2012 to those persons registered as shareholders of the Company on Tuesday, 20 November 2012, being the record date for determining shareholders' entitlement to the proposed final dividend. The proposed dividends represent approximately 24.8% of the profit attributable to equity shareholders of the Company for the year. The proposed payment of the final dividends is subject to the approval at the 2012 annual general meeting ("**AGM**") of the Company.

BUSINESS OVERVIEW

The business operations of our Group for the year ended 30 June 2012 mainly focused on the following four aspects: 1) the provision of design and implementation of application solution services, 2) the provision of maintenance of application solution services, 3) the sales of application solution related hardware and spare parts and, 4) the sales of application solution software. For the year ended 30 June 2012, our revenue and net profit grew significantly, which was mainly attributable to resources invested in the research and development and sales of new application solution software products by ERG Transit Systems (Beijing) Ltd. ("**ERG BJ**"), a subsidiary of the Group. ERG BJ has developed six application solution software products, of which three have obtained Computer Software Copyright Registration Certificates from the National Copyright Administration of the People's Republic of China (the "**PRC**"). The Group has gradually moved forward to standardise its subway system application solutions and to commercialise it for other applicable usages. Apart from expanding our business and increasing our revenue, such achievements would also be beneficial to our customers, namely regional subway companies, to standardise their system construction and achieve a better management. Our revenue from the provision of design and implementation of application solution services increased significantly compared to the corresponding period in 2011. ERG BJ managed to maintain its higher market share in Beijing network. ERG Transit Systems (HK) Limited ("**ERG HK**") achieved broader development. ERG HK won tenders in relevant projects of MTR Corporation Limited in Hong Kong, and it, being a subcontractor, undertook supplementary projects of fare collection clearing system for several subway lines in Bangkok. In terms of the provision of maintenance of application solution services, ERG HK maintained a stable customer base in Hong Kong, except for the expiry of the two one-off maintenance contracts. During the same period, our revenue from the provision of maintenance of application solution services in Beijing remained stable, comparing to the previous financial years. Continued sales of card readers, among the sales of application solution related hardware and spare parts, also made a considerable contribution to our profit.

PROSPECTS

With the rapid economic development and population increase in the PRC, the PRC government will vigorously develop the public transport system and construct the road network in cities. Of which, the urban railway construction, the most efficient and the best way to relieve traffic issues in cities, enjoys the greatest potential for development. According to the 12th Five-Year Plan of China, from 2011 to 2015, it is expected that funds to be invested in urban railway construction will reach about RMB1.4 trillion. The urban railway transport mileage newly increased in the PRC will be 2,800 km, reaching 4,185 km in total. Beijing plans to complete the construction of 324 km by the end of 2015, with 15 routes, so as to achieve its target of 660 km with 29 routes. Its scheduled investment amounted to approximately RMB162 billion.

In the financial year 2013, according to the 12th Five-Year Plan of Beijing, it is expected that there will be three or four new railway lines to be integrated in the automated fare collection clearing centre system (ACC) and the traffic control centre system (TCC). There will be several new high-valued open tenders for Beijing at railway network level. Besides, National Development and Reform Commission announced on 5 September 2012 that 25 plans on urban transport and railway construction across several cities in China had been approved, with total investment amounting to RMB840 billion. Plans for urban transport construction included cities such as Shanghai, Tianjin, Guangzhou, Shenzhen, Chengdu, Xian, Changchun, Hangzhou, Suzhou, Taiyuan, Lanzhou, Qingdao, Xiamen, Shijiazhuang, Harbin, Changzhou and etc., among which, plans approved for Harbin and Shanghai were revised urban transport construction plans. The issuance of these plans implies more market opportunities for the Group than in 2012.

APPRECIATION

Finally, I would like to take this opportunity to thank our valued shareholders, customers and business partners for their ongoing support and trust. Also, I would like to express my appreciation to my fellow Directors and the staff of the Group for their continuing contribution and unwavering dedication to the Group.

Tian Zhenqing
Chairman
Hong Kong, 26 September 2012

Management Discussion and Analysis

OPERATIONAL REVIEW

The financial year 2012 was another fruitful year for our Group as we continued to achieve outstanding operational performance with revenue increased by approximately 164.2% to approximately HK$190.2 million and profit attributable to equity shareholders of the Company increased by approximately 99.3% to approximately HK$80.7 million as compared to last financial year.

For the year ended 30 June 2012, our Group mainly focused on the following four operation sectors: 1) the provision of design and implementation of application solutions services; 2) the provision of maintenance of application solution services; 3) the sales of application solution related hardware and spare parts; and 4) the sales of application solution software. In financial year 2012, our revenue and net profit grew significantly, which was mainly attributable to sales of application solution software as well as related hardware and spare parts by ERG BJ.

PROVISION OF DESIGN AND IMPLEMENTATION OF APPLICATION SOLUTIONS SERVICES

For the year ended 30 June 2012, we had participated in the integration of the four new lines of the Beijing subway to the automated fare collection clearing centre system (ACC) and to the traffic control centre system (TCC). Also, ERG BJ won the tender for Light Current Engineering Project of Phase II of the TCC system of Beijing subway, thus maintaining its higher market share in Beijing network. During the same period, ERG HK achieved broader development. ERG HK won tenders in relevant projects of MTR Corporation Limited in Hong Kong, and it, being a subcontractor, undertook supplementary projects of fare collection clearing system for several subway lines in Bangkok.

PROVISION OF MAINTENANCE OF APPLICATION SOLUTION SERVICES

For the year ended 30 June 2012, except for the expiry of the two one-off maintenance contracts, ERG HK maintained a stable customer base in Hong Kong, and continued to deliver high-quality, long-term and effective services to the Kowloon Motor Bus Company (1933) Limited, Citybus Limited, New World First Bus Services Limited and New World First Ferry Services Limited. During the same period, our revenue from maintenance services in Beijing remained stable, comparing to the previous financial years.

SALES OF APPLICATION SOLUTION RELATED HARDWARE AND SPARE PARTS

For the year ended 30 June 2012, our revenue from the sales of application solution related hardware and spare parts was mainly derived from the sales of card readers. Other revenue was mainly generated from the sales of spare parts arising from the provision of design and implementation of application solutions services to our customers.

SALES OF APPLICATION SOLUTION SOFTWARE

For the year ended 30 June 2012, our Group started engaging in the sales of self-developed software products. During the financial year 2012, ERG BJ has developed six software products, of which three have obtained Computer Software Copyright Registration Certificates from the National Copyright Administration of the PRC, reflecting that, in addition to the research and development of the card reader, the Group has gradually moved forward to standardise its subway system application solutions and to commercialise it for other applicable usages. Apart from expanding our business and increasing our revenue, such achievements would also be beneficial to our customers, namely regional subway companies, to standardise their system construction and achieve a better management. Our self-developed software products are not only applicable to subway system, but also to other fields, for example, the Development of Integrated Circuit Card Measuring System for Waste Disposal Facilities project which is applying the collection and clearing technology into other areas.

FINANCIAL REVIEW

REVENUE

Our Group's revenue increased by approximately 164.2% from approximately HK$72.0 million for the year ended 30 June 2011 to approximately HK$190.2 million for the year ended 30 June 2012. The increase was mainly attributable to the increase in the sales of application solution software as well as related hardware and spare parts.

Revenue arising from the provision of design and implementation of application solution services

Our Group's revenue arising from the provision of design and implementation of application solution services increased by approximately 32.7% from approximately HK$37.6 million for the year ended 30 June 2011 to approximately HK$49.9 million for the year ended 30 June 2012. The increase was mainly attributable to the integration of the four new Beijing subway lines to the automated fare collection clearing centre system (ACC) and to the traffic control centre (TCC) as well as the provision of the Network Emergency Communications Command System Design and Development Project for Beijing subway.

Revenue arising from the provision of maintenance of application solution services

Our Group's revenue arising from the provision of maintenance of application solution services decreased by approximately 7.9% from approximately HK$31.6 million for the year ended 30 June 2011 to approximately HK$29.1 million for the year ended 30 June 2012. The decrease was mainly because during the year ended 30 June 2011, one of our customers requested us to provide additional one off repair and maintenance services in addition to our normal maintenance services while this additional service was not recurred during the year ended 30 June 2012. Other than that, our revenue arising from maintenance application solution services was generally maintained at similar level.

Revenue arising from the sales of application solution related hardware and spare parts

Our Group's revenue arising from the sales of application solution related hardware and spare parts increased by approximately 1,346.4% from approximately HK$2.8 million for the year ended 30 June 2011 to approximately HK$40.5 million for the year ended 30 June 2012. The increase was mainly attributable to the sale of card readers for use in eight Beijing subway lines, which accounted for approximately 89.5% of our revenue arising from sales of application solution related hardware and spare parts for the year.

Revenue arising from the sales of application solution software

Our Group's revenue arising from the sales of application solution software was approximately HK$70.7 million for the year ended 30 June 2012 while there was none for the year ended 30 June 2011. In view of the market demand for ready-to-use standardised application solution for traffic control, system monitoring as well as fare collection and clearing fields, our Group started to develop software products cater for those markets during the financial year 2012. As a result, our Group had completed the development of our Integrated System Monitoring Software, Traffic Control System Software and Data Processing and Clearing Software, to name but a few, ready for sale in the market by the end of financial year 2012. The revenue arising from the sale of application solution software for the year ended 30 June 2012 was mainly derived from the sales of those software products.

COST OF SALES

Our Group's overall cost of sales has increased by approximately 116.7% from approximately HK$24.6 million for the year ended 30 June 2011 to approximately HK$53.3 million for the year ended 30 June 2012. The increase in the overall cost of sales was primarily due to the procurement of hardware for the card readers ordered by our customer and the costs incurred for the development of our new application solution software products.

Cost of sales in respect of the provision of design and implementation of application solution services

Our Group's cost of sales in respect of the provision of design and implementation of application solution services increased by approximately 6.6% from approximately HK$13.7 million for the year ended 30 June 2011 to approximately HK$14.6 million for the year ended 30 June 2012. The increase was mainly due to the increase in the provision of design and implementation of application solution service during the year as compared to last financial year.

Cost of sales in respect of the provision of maintenance of application solution services

Our Group's total cost of sales in respect of the provision of maintenance application solution services decreased by approximately 25.5% from approximately HK$9.4 million for the year ended 30 June 2011 to approximately HK$7.0 million for the year ended 30 June 2012. The decrease was mainly due to the reduction in subcontracting fee during the year.

Cost of sales in respect of sales of application solution related hardware and spare parts

Our Group's total cost of sales in respect of sales of application solution related hardware and spare parts increased by approximately 1,006.7% from approximately HK$1.5 million for the year ended 30 June 2011 to approximately HK$16.6 million for the year ended 30 June 2012. The increase was mainly attributable to the procurement of hardware for the card readers.

Cost of sales in respect of sales of application solution software

Our Group's total cost of sales in respect of sales of application solution software was approximately HK$15.0 million for the year ended 30 June 2012 while there was none for the year ended 30 June 2011 as our Group had only started developing this kind of software products during the financial year 2012.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Our Group's selling, general and administrative expenses increased by approximately 139.5% from approximately HK$12.4 million for the year ended 30 June 2011 to approximately HK$29.7 million for the year ended 30 June 2012. The increase was mainly due to the increase in legal and professional fees for the Company's listing.

PROFIT BEFORE TAXATION AND PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

Our Group's profit before income tax increased by approximately 116.6% from approximately HK$45.8 million for the year ended 30 June 2011 to approximately HK$99.2 million for the year ended 30 June 2012. During the year ended 30 June 2012, the Group incurred approximately HK$11.3 million expenses in connection with the listing of the Company's shares on GEM of the Stock Exchange. Excluding the exceptional listing expenses of approximately HK$11.3 million, the profit before income tax would have increased to approximately HK$110.5 million, representing an increase of approximately 141.3% when compared to last financial year.

The profit attributable to equity shareholders of our Company increased by approximately 99.3% from approximately HK$40.5 million for the year ended 30 June 2011 to approximately HK$80.7 million for the year ended 30 June 2012. The increase was primarily due to the growth in revenue and improvement in gross profit.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 June 2012, the Company's total number of issued shares was 800,000,000 ordinary shares of HK$0.01 each (2011: 100 shares of US$1 each). Details of the changes in the share capital and capital risk management of the Company during the year are set out in Note 20 to the consolidated financial statements.

Cash position

As at 30 June 2012, the Group's cash and bank balances were approximately HK$203.2 million (2011: approximately HK$33.0 million).

Bank Borrowing and charges on the Group's assets

As at 30 June 2012, the Group has no bank borrowings and charges on assets.

Working Capital and Gearing ratio

As at 30 June 2012, the Group had current assets of approximately HK$398.2 million (2011: approximately HK$66.4 million, while its current liabilities was approximately HK$124.8 million (2011: approximately HK$45.2 million, resulting a net current assets of approximately HK$273.4 million (2011: approximately HK$21.2 million).

Gearing ratio is calculated based on total debt divided by total assets at the end of the year multiplied by 100%. Debts are defined to include payables incurred not in the ordinary course of business, including advanced cash injection from investor, amount due to shareholder and profit distribution payable but excluding trade payables. Gearing ratio is not applicable to the Group as at 30 June 2012 (2011: 37.4%) because the Group was at a net cash position without any bank borrowings, long term debts and payables incurred not in the ordinary course of business during the year ended 30 June 2012.

FOREIGN EXCHANGE EXPOSURE

The Group has two main operating subsidiaries, one located in Hong Kong and the other in the PRC; both subsidiaries mainly earn revenue and incur cost in its local currency. The Directors consider the impact of foreign exchange exposure of the Group is minimal.

CONTINGENT LIABILITY

As at 30 June 2012, the Group did not have any material contingent liability.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES, AND PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Other than in connection with the Group's reorganisation for the listing of the Company on GEM of the Stock Exchange on 16 May 2012 (the "**Listing Date**"), there were no significant investments held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2012.

Save for the business plan as disclosed in the Annual Report, there is no plan for material investments or capital assets as at 30 June 2012.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2012, the Group employed a total of 66 (2011: 46) employees. The staff costs, including Directors' remuneration, were approximately HK$21.4 million (2011: HK$14.3 million).

The salaries and benefits of the Group's employees are kept at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system, which is reviewed annually. The Group also operates a share option scheme adopted by the Company on 8 December 2011 ("**Share Option Scheme**") where options to subscribe for shares may be granted to the Directors and employees of the Group. The aim of the Share Option Scheme is to recognise outstanding performance of the staff in order to retain key staff members and for the benefits of the future business development of the Group.

In addition, the Group contributes to the PRC social insurance scheme in accordance to the relevant PRC laws and regulations for its employees in the PRC. The social insurance scheme in the PRC includes retirement, work injury, medical care, unemployment and other insurance coverage for the employees. The Group also maintains the Mandatory Provident Fund scheme and insurance as required by the employment laws in Hong Kong for its employees in Hong Kong.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of 2.5 HK cents (2011: nil) per share for 2012, payable on or about Thursday, 20 December 2012 to those persons registered as shareholders of the Company on Tuesday, 20 November 2012, being the record date for determining shareholders' entitlement to the proposed final dividend. The proposed dividends represents approximately 24.8% of the profit attributable to equity shareholders of the Company for the year. The proposed payment of the final dividends is subject to the approval at the AGM.

BUSINESS OUTLOOK

In the financial year 2013, according to the 12th Five-Year Plan of Beijing, it is expected that there will be three or four new railway lines to be integrated in the automated fare collection clearing centre (ACC) and the traffic control centre (TCC). In addition, there will be several new high-valued open tenders for Beijing at railway network level, generating more market opportunities for us than in 2012.

Our design and implementation of application solutions for public transport systems was charged based on the progress of individual project. Projects won in 2012 will be completed and realised revenues in 2013. At the same time, the maintenance of application solution services sector will continue to generate steady revenue.

The Group is also committed to expand the types of our self-developed application solution software products. Apart from the system software cater for the railway network, we will continue to invest manpower and resources to develop the system software cater for individual railway line, and accelerate the progress of commercialisation, thus achieving a diversified development. We believe that commercialising and standardising the application solutions in the industry will improve the efficiency of the public transport systems, and lower the procurement costs and costs for maintenance. Meanwhile, standardisation also enables the public transport systems operators to more effectively monitor and oversee the operation of the systems.

While we are implementing our long term goal towards commercialising and standardising the application solutions, we will continue to build on our industry experiences, expand our customer base and consolidate our market position in Beijing and other cities in the PRC and to expand our business in Hong Kong and Southeast Asia. In the coming year, as mentioned in the prospectus of the Company dated 3 May 2012 (the "**Prospectus**"), the Group will be opened to any merger and acquisition opportunities of related businesses; and will continue to enhance our expertise and knowhow for the development of new application solutions and new products, thus realising the diversification and standardisation of our products. The Group will also continue our research and development of other systems solutions, such as the control centre system of the passenger information system ("**PCC**"), so as to enhance our reputation and sources of revenue.

BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress for the year ended 30 June 2012. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the context requires otherwise.

Business plan up to 30 June 2012 as set out in the Prospectus	Actual business progress up to 30 June 2012
Enhance our expertise and technical know-how on development of new application solutions	
• Enhancing the capacity of our current software and database for the ACC System	The Group has developed six software products and three of them have obtained Computer Software Copyright Registration Certificates from the National Copyright Administration of the People's Republic of China before the date hereof. These products include data processing software, communication management software and integrated monitoring and control software.
• Participation in the construction of Phase II of the TCC System of Beijing Subway	As the tender for construction of Phase II of the TCC System of the Beijing subway has not opened to public yet, the Group has just commenced pre-project research. The Group has gathered information available in the market regarding the demands for project construction, in order to get well prepared for the open tender.
Enhancing our reputation	
• Development of application solutions for the PCC system	In order to develop the PCC system application solution successfully, our technical staff put greater effort on research study and demonstration over PCC system solution. The research is now completed and its development commences. In the future, the Group will continue to engage in the design of PCC related software and the procurement of equipments.
Enhancing our customer base	
• Expansion of our customer base by our Group through participation in industry promotional events and other marketing activities	The Group has participated in a few industry related exhibition and marketing activities to exchange market intelligence with fellow business counterparts and promote our business to potential customers.

The net proceeds from the Global Offering were approximately HK$175.1 million, which was based on the final Global Offering price of HK$1.0 per share and the actual expenses related to the Listing. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The net proceeds from the Global Offering from the Listing Date, to 30 June 2012 had been applied as follows:

	Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 30 June 2012 HK$ million	Actual use of proceeds from the Listing Date to 30 June 2012 HK$ million
Enhance our expertise and technical know-how on development of new application solutions	**4.1**	12.9
Enhancing our reputation	**1.8**	0.1
Enhancing our customer base	**0.4**	0.8
Working capital	**1.0**	1.0
	7.3	14.8

Note: Actual use of proceeds was higher as compared to the adjusted net proceeds was mainly due to market demand, our Group had allocated more resources to complete the development of our Integrated System Monitoring Software, Traffic Control System Software and Data Processing and Clearing Software before our planned timetable.

The Directors will constantly evaluate the Group's business objective and will change or modify plans against the changing market condition to ascertain the business growth of the Group.

All the unutilised balances have been placed in licensed banks in Hong Kong.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

CAO Wei (曹瑋), Mr. Cao, aged 49, is our Chief Executive officer and executive Director. He was appointed as Director on 7 January 2011 and redesignated as executive Director on 7 December 2011. Mr. Cao joined our Group in April 2009. Mr. Cao is a director and is indirectly interested in the shares of ERG Transportation (Greater China) Pty Ltd ("**ERG Greater China**") through his 50% equity interest in BETIT Australia Pty Ltd. ERG Greater China was the owner of the entire issued share capital of ERG HK and ERG BJ prior to the reorganisation of the Group as set out in the Prospectus. The substance of Mr. Cao's responsibilities and contribution to the business of our Group was demonstrated through his shareholding and directorship in ERG Greater China. Mr. Cao has over 14 years of experience in the management technology and communications industry and has developed strong business relationship and networks in the industry. Through Mr. Cao's experience in the industry and business networks, ERG BJ was able to participate in various projects relating to the ACC System. Because ERG BJ was awarded these projects under Mr. Cao's guidance to develop and manage the business and resulting in an improvement in ERG BJ's business, ERG Greater China subsequently acquired 100% equity interest of ERG HK in March 2010. At the material time, both Mr. Cao and Vix Transportation Systems Pty Ltd and its subsidiaries (the "**Vix Group**") considered that it would be beneficial to both parties to operate ERG HK's business under the joint venture structure and the guidance of Mr. Cao. Mr. Cao has been serving as director of ERG BJ and ERG HK since his appointment in May 2011 and April 2010, respectively. He 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 in 2001. From 2005 to 2010, Mr. Cao was an executive director and vice president of Beijing Development (Hong Kong) Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 154)). From 1996 to 2001, Mr. Cao was the general manager of Beijing Telecom Network Technology Co., Ltd.. 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 MBA (EMBA) from Tsinghua University in July 2009.

CHEN Rui (陳睿), Mr. Chen, aged 37, is our executive Director. He was appointed as a Director on 7 January 2011 and redesignated as executive Director on 7 December 2011. Mr. Chen joined our Group in April 2009 as a general manager of ERG BJ. He was appointed as a director of ERG BJ in March 2011. From March 2011 to August 2011, he concurrently served as the general manager of Vix Technology (Aust) Ltd ("**Vix Technology**") in East Asia. In March 2009, Mr. Chen was also appointed as a director of ERG Greater China. Mr. Chen has over six years of experience in the management technology and communications industry. From January 2008 to March 2009, Mr. Chen was engaged in the chartered financial analyst self-study program offered by the CFA Institute to investment and financial professionals. From May 2005 to December 2007, Mr. Chen was the deputy general manager of Vix Technology in East Asia. From July 1997 to October 2002, Mr. Chen worked at the Ministry of Foreign Trade and Economic Cooperation (MOFTEC). He obtained his bachelor's degree in English from Xiamen University in 1997 and a master's degree in business administration from the University of Western Australia in March 2005.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

TIAN Zhenqing (田振清), Dr. Tian, aged 46, is our Chairman and non-executive Director. Dr. Tian joined our Group and was appointed as a Director on 6 July 2011 as nominated by Beijing Infrastructure Investment (Hong Kong) Limited ("**BII HK**"), one of the pre-IPO investors of the Company, pursuant to the terms of the BII HK Subscription Agreement and the Management and Operation Agreement (as defined in the Prospectus). Dr. Tian was subsequently redesignated as our Chairman and non-executive Director on 7 December 2011 because of his extensive experience in city metro operation and management. Dr. Tian has extensive industry experience and expertise and currently holds a senior position in Beijing Infrastructure Investment Co., Ltd. ("**BII**"). As a matter of good corporate governance practices, Dr. Tian, as our Chairman, is not involved in the day-to-day operations of our Group. Dr. Tian's role as our Chairman is to provide leadership for the Board in terms of strategic and business development of our Group, particularly in our Group's expansion plans to capture business opportunities in the expanding PRC market. Dr. Tian concurrently serves as the director and the general manager of BII. Since May 2009, Dr. Tian also concurrently serves as a director of Metro Land Corporation Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 600683)) and as a director of 北京京港地鐵有限公司 (Beijing MTR Corporation Limited), a joint venture company formed amongst MTR Corporation Limited, Beijing Capital Group Co., Ltd. and BII. Dr. Tian joined BII in 2005 and prior to that he was the vice general manager of Beijing Chemical Industry Group Corporation Co., Ltd.. Dr. Tian obtained a doctorate degree from Huazhong University of Science and Technology in December 2011. Dr. Tian obtained a bachelor's degree in metallurgical machinery from Wuhan University of Science and Technology (formerly known as Wuhan Institute of Iron and Steel) in July 1988 and a master's degree in business administration from Renmin University of China in January 2001. Dr. Tian received his certification as senior engineer in October 1998.

Steven Bruce GALLAGHER, Mr. Gallagher, aged 47, is our non-executive Director. He was appointed a Director on 7 January 2011 and redesignated as non-executive Director on 7 December 2011. Mr. Gallagher joined our Group as a director of ERG Greater China in February 2009. Mr. Gallagher has over 20 years of experience in the management technology and communications industry. Mr. Gallagher concurrently serves as an executive director of Vix Technology, a member of the Vix Group. He has served as an executive director of Vix Technology since July 2007. As stated in the financial report of Videlli Limited (formerly known as ERG Limited and delisted from the Australian Securities Exchange in June 2009) for the year ended 30 June 2009, from June 2007 to March 2009, Mr. Gallagher was an executive director of Videlli Limited. As confirmed by Mr. Gallagher, during the period from 1991 to 2005, he served in various posts with Siemens Australia Ltd and later with Siemens China Ltd. his resignation in 2005. Mr. Gallagher obtained his bachelor's degree in engineering from the University of Melbourne in 1986.

INDEPENDENT NON-EXECUTIVE DIRECTORS

HU Zhaoguang (胡昭廣), Mr. Hu, aged 73, is our independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 7 December 2011. Mr. Hu has over 40 years of experience in economics, finance and corporate management and was widely recognised for his work in these areas. Mr. Hu has been the chairman of audit committee and an independent non-executive director of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 861)) since September 2004, an independent non-executive director of BBMG Corporation (a company listed on the Main Board of the Stock Exchange (Stock Code: 2009)) since August 2008 and the chairman of remuneration committee and an independent non-executive director of China Ground Source Energy Limited (a company listed on the GEM of the Stock Exchange (Stock Code:8128)) since July 2012. Prior to joining our Group, Mr. Hu was successively chairman of the board of directors of Beijing Enterprises Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 392)) between April 1997 and May 2003, chairman of Beijing Holdings Limited from May 1997 to May 2003 and an independent non-executive director of China Overseas Land and Investment Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 688)) from April 2000 to May 2003. From February 1993 to January 1998, Mr. Hu served as vice mayor of Beijing. He obtained his bachelor's degree in electrical engineering from Tsinghua University in July 1965.

BAI Jinrong (白金榮), Mr. Bai, aged 61, is our independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 7 December 2011. Mr. Bai has over 25 years of experience in economics, finance and enterprise management. As confirmed by Mr. Bai, prior to joining our Group, Mr. Bai was the vice board chairman and general manager of Beijing Enterprises Group Company Limited from 2005 to 2010; from 2003 to 2004, he was the deputy director of Beijing State-owned Assets Supervision and Administration Commission; 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 (Stock Code: 392)); from 1992 to 1997, he served as a deputy director of Beijing Economic Structure Reforms Committee; from 1984 to 1992, he served as a deputy director and director of the Policy Research Office of Beijing Chemical Industry Group. Mr. Bai graduated from Beijing Normal University in 1985.

KONG Shin Long, Johnny *CPA* (龔興隆), Dr. Kong, aged 64, is our independent non-executive Director. He joined our Group and was appointed as independent non-executive Director on 7 December 2011. Dr. Kong has over 20 years of experience in accounting. Dr. Kong serves as an independent non-executive Director of East China Engineering Science and Technology Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 002140)). From 2003 to 2011, Dr. Kong was an independent non-executive director of Chifeng Fulong Thermal Power Co., Ltd. (a company listed on the Shenzhen Stock Exchange (Stock Code: 000426)). From 2007 to 2011, he was also an independent non-executive director of China Merchants Property Development Company Limited (a company listed on the Shenzhen Stock Exchange (Stock Code: 000024)). From 2002 to 2010, Dr. Kong was also an independent director of Hebei Chengde Lolo Company Limited (a company listed on the Shenzhen Stock Exchange (Stock Code: 000848)). Dr. Kong was a practising accountant at Pan-China Certified Public Accountant Co., Ltd. In 1997, he was the chief financial officer of Asia Pacific Media Company. In 1993, Dr. Kong was financial controller and subsequently financial and accounting manager of Philips Electronics South-East Asia Holding B.V. In March 1990, Dr. Kong was an executive director in financial services of Bell South International (Asia/Pacific) Inc. At present, Dr. Kong is a member of the audit committee of 北京京港地鐵有限公司 (Beijing MTR Corporation Limited). Between 1998 and 2009, Dr. Kong has also assumed part-time teaching positions with various universities including Renmin University of China and Peking University. Dr. Kong successfully passed the national open examination in 1996 and has been a practising member of the Chinese Institute of Certified Public Accountants since 2001. Dr. Kong obtained a doctorate degree of Management from Renmin University of China in July 2000.

SENIOR MANAGEMENT

ZHANG Yong (張勇), Mr. Zhang, aged 49, joined our Group and was appointed as Deputy General Manager of our Group on 11 April 2011. Mr. Zhang has over 20 years of experience in the management technology and communications industry. Mr. Zhang concurrently serves as general manager of our operating subsidiary, 北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Co. Ltd.) ("**BII-ERG**"). From 1996 to 2010, Mr. Zhang was the China regional head of Shanghai Axis Communication Equipment Trading Co., Ltd. (上海安訊士網絡通訊設備貿易有限公司), Extreme Networks China Limited (極進網絡中國有限公司), Nokia (China) Investment Corporation (諾基亞（中國）投資有限公司) and Racal Asia Ltd.. In 1996, Mr. Zhang worked at Novell, Inc. and from 1987 to 1993, he worked at China Hewlett-Packard Co., Ltd. (中國惠普有限公司). Mr. Zhang obtained a bachelor's degree and a master's degree in engineering from Harbin Institute of Technology in 1984 and 1987 respectively. Mr. Zhang received his certification as assistant engineer in 1988. Mr. Zhang is primarily responsible for our Group's business development in the PRC.

CAO Ying (曹穎), Ms. Cao, aged 37, joined our Group and was appointed as Deputy General Manager of our Group on 11 April 2011. Ms. Cao has over eight years of experience in the management technology and communications industry. Ms. Cao was appointed as a director of ERG BJ in March 2011. She concurrently serves as a director of ERG BJ and is the business director of BII ERG. Prior to joining our Group, Ms. Cao was the administrative manager at Beijing Development (Hong Kong) Limited and the business development director at Beijing Beikong Telecom Information Technology Limited. Ms. Cao obtained a bachelor's degree in polymer chemical engineering from the Beijing University of Chemical Technology in 1997. Ms. Cao is primarily responsible for administrative and business management of our Group.

WU Xiao (吳筱), Ms. Wu, aged 32, joined our Group and was appointed as Deputy General Manager of our Group on 1 November 2010. Ms. Wu has more than six years of experience in asset management, equity capital markets and investment banking. Prior to joining our Group, Ms. Wu held the position of marketing director at CMS Asset Management (HK) Co., Limited where she mainly focused on product design and marketing. Ms. Wu was awarded employee of the year award in 2007 at China Merchants Securities (HK) Co., Ltd.. Between 2004 and 2006, Ms. Wu worked in the investment banking and equity capital markets department at China Merchants Securities (HK) Co., Ltd. Ms. Wu obtained a bachelor's degree in international finance from Jinan University in 2002 and a master's degree in banking and finance from the University of Stirling in 2005. Ms. Wu is primarily responsible for investor relations, marketing and capital markets activities of our Group.

LAU Kwok Fai Patrick *CPA, FCCA* (劉國煇), Mr. Lau, aged 39, joined our Group and was appointed as Financial Controller and Company Secretary of our Group on 1 July 2011 and 7 December 2011, respectively. Mr. Lau has over 14 years of experience in the accounting and finance field. Prior to joining our Group, Mr. Lau served the financial advisory services group at KPMG for over 10 years. Mr. Lau is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lau is primarily responsible for financial and company secretarial matters of our Group.

Directors' Report

The Directors are pleased to present their first annual report and the audited consolidated financial statements for the year ended 30 June 2012 after its listing on the GEM of the Stock Exchange on the Listing Date.

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.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2012 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 34 to 76.

The Board recommends the payment of a final dividend of 2.5 HK cents (2011: nil) per share for 2012, payable on or about Thursday, 20 December 2012 to those persons registered as shareholders of the Company on Tuesday, 20 November 2012, being the record date for determining shareholders' entitlement to the proposed final dividend. The proposed dividends represents approximately 24.8% of the profit attributable to equity holders of the Company for the year. The proposed payment of the final dividends is subject to the approval at the AGM.

CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM to be held on Tuesday, 13 November 2012, the register of members will be closed from Friday, 9 November 2012 to Monday, 12 November 2012, both days inclusive, during which period no transfer of shares will be effected. In order to be entitled to attend and vote at the annual general meeting, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 8 November 2012.

On the assumption that the resolution for declaring the final dividend is duly passed at the AGM, the register of members will be closed from Saturday, 17 November 2012 to Tuesday, 20 November 2012, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for entitlement to the final dividend, the last day of dealing in the shares of the Company on a cum entitlement basis will be on Wednesday, 14 November 2012 and all transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrars, Tricor Investor Services Limited, 26th Floor, Tesbury Centre 28 Queen's Road East Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Friday, 16 November 2012.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 13 November 2012. Shareholders should refer to details regarding the AGM in the circular of the Company dated 29 September 2012 and the notice of meeting and form of proxy accompanying thereto.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 20 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year are set out in Note 20 to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law, Cap 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 30 June 2012, the Company's reserves available for distribution amounted to approximately HK$331.8 million (2011: HK$41.0 million). Such amount includes the Company's share premium and capital reserve.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year 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 ("**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 three financial years as extracted from the audited consolidated financial statements and the Prospectus is set out on page 3. This summary does not form part of the audited financial statements in this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the purchases and sales percentage from the major customers and suppliers of the Group is set out below:

		Percentage of total purchases
(1)	**Purchases**	
	– the largest supplier	58%
	– the five largest suppliers combined	88%

		Percentage of total sales
(2)	**Sales**	
	– the largest customer	22%
	– the five largest customers combined	80%

As far as the Directors are aware, none of the Directors or any of their associates, or any shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers for the year.

DIRECTORS

The Directors during the year and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Cao Wei *(Chief Executive Officer)*	appointed on 7 January 2011
Mr. Chen Rui	appointed on 7 January 2011

NON-EXECUTIVE DIRECTORS

Dr. Tian Zhenqing *(Chairman)*	appointed on 6 July 2011
Mr. Steven Bruce Gallagher	appointed on 7 January 2011

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Zhaoguang	appointed on 7 December 2011
Mr. Bai Jinrong	appointed on 7 December 2011
Dr. Kong Shin Long, Johnny *CPA*	appointed on 7 December 2011

In accordance with articles 16.18 of the Articles, Mr. Hu Zhaoguang, Mr. Bai Jinrong and Dr. Kong Shin Long, Johnny will retire as Directors by rotation and each of them is eligible to offer themselves for re-election as Directors at the annual general meeting of the Company. Mr. Hu Zhaoguang and Mr. Bai Jinrong will offer themselves for re-election as Directors at the AGM.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received annual written confirmations from each of its independent non-executive Directors in respect of their independence during the year pursuant to Rule 5.09 of the GEM Listing Rules and all independent non-executive Directors are still being considered to be independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 13 to 14 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who 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 year ended 30 June 2012 are set out in Notes 7 and 8 to the consolidated financial statements. For the year ending 30 June 2013, each of Dr. Tian Zhenqing, an non-executive Director and Mr. Hu Zhaoguang, an independent non-executive Director had agreed to waive their respective emoluments under the letter of appointment.

MANAGEMENT CONTRACTS

As at 30 June 2012, the Company did not enter into or have any management and administration contracts in respect of the whole or any principal 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 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.

SHARE OPTION SCHEME

The Company's existing Share Option Scheme was approved for adoption pursuant to a written resolution of all of our Shareholders passed on 8 December 2011 for the purpose to provide our 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 approve from time to time.

Subject to the terms of the Share Option Scheme, the Board may, at their 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, (b) any person who have contributed or may contribute to the Group.

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 in issue from time to time.

The total number of share which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the total number of shares in issue on 16 May 2012 unless the Company seeks the approval of the shareholders in general meeting for refreshing the 10% limit under the Share Option Scheme provided that options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company will not be counted for the purpose of calculating the 10% limit.

The total number of shares issued and to be issued on the exercise of options granted and to be granted (including both exercised and outstanding options) in any 12-month period up to the date of grant of each eligible participant shall not exceed 1% of the total issued shares 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.

The exercise price of the option shares granted under the Share Option Scheme may be determined by the Board at its absolute discretion but in any event will not be less than the higher of: (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheet on the date of grant, which must be a business day; (ii) the average closing price of the Company's share as stated in the Stock Exchange's daily quotation sheet for the five trading days immediately preceding the date of grant; (iii) the nominal value of a share.

The Share Option Scheme will remain in force for a period of 10 years commencing from 16 May 2012 unless terminated by the Group.

Options granted under the Share Option Scheme must be taken up within 28 days of the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 to the Company as consideration for the grant.

As at 30 June 2012, no share options were granted since the adoption of the Share Option Scheme and there were no outstanding share option. However, the Company has granted 40 million share options on 26 July 2012 to its Directors and eligible employees, details of the granting of such options are set out in Note 24(a) to the consolidated financial statements.

DIRECTORS' INTEREST IN CONTRACTS

Saved as disclosed under the section "Connected Transactions" below, no contract of significance to which the Company, or any of its holding company or subsidiaries was a party, and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

As at 30 June 2012, the interests and short positions of the Directors in the shares, underlying shares or debentures of the Company and its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance, Cap. 571 of the Laws of Hong Kong ("**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules were as follows:

LONG POSITIONS IN THE ORDINARY SHARES AND UNDERLYING SHARES

Name of Director	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest
Mr. Cao Wei ("**Mr. Cao**")	Interest in a controlled corporation *(Note 1)*	481,267,527	60.16%

Note:

1. These 481,267,527 Shares are owned by ERG Transportation Greater China Company Limited ("**ERG Greater China BVI**"), a company which is owned as to 56% by More Legend Limited ("**More Legend**"). More Legend is owned as to 75% by Mr. Cao and as to 25% by Ms. Wang Jiangping ("**Ms. Wang**"), the spouse of Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 481,267,527 Shares owned by ERG Greater China BVI.

Save as disclosed above, as at 30 June 2012, none of the Directors had registered any interest or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 to Rule 5.67 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations", at no time during the year 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.

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

So far as the Directors are aware, as at 30 June 2012, other than the Directors of the Company whose interests or short positions are disclosed under the paragraph headed "Directors' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations" above, the following person has an interest or short position in the shares or underlying shares of the Company which has to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and as recorded in the register required to be kept under Section 336 of the SFO, and who were expected, directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of shareholder	Capacity/Nature of interest	Total number of ordinary shares	Approximate percentage of interest
ERG Greater China BVI	Beneficial owner *(Note 1)*	481,267,527	60.16%
More Legend	Interest in a controlled corporation *(Note 2)*	481,267,527	60.16%
Ms. Wang	Interest of spouse *(Note 2 & 3)*	481,267,527	60.16%
BII HK	Beneficial owner *(Note 4)*	79,584,969	9.95%
BII	Interest in a controlled corporation *(Note 5)*	79,584,969	9.95%

Notes:

1. ERG Greater China BVI is held as to 30% by Vix Technology (East Asia) Limited, as to 56% by More Legend and as to 14% by Landcity Limited.

2. More Legend is the legal and beneficial owner of about 56% of the entire issued share capital of ERG Greater China BVI. Mr. Cao and Ms. Wang are the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend. Mr. Cao is the spouse of Ms. Wang, and thus, Ms. Wang is deemed to be interested in the same number of shares in which Mr. Cao is interested.

3. Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 481,267,527 Shares held by More Legend.

4. BII HK is a wholly owned subsidiary of BII.

5. BII is the legal and beneficial owner of the entire issued share capital of BII HK, 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.

Save as disclosed above, as at the date of this report, according to the register of interests required to be kept by the Company under section 336 of the SFO, there was no person who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO.

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 other conflict of interests with the Group.

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 June 2012, as notified by the Company's compliance adviser, Guotai Junan Capital Limited (the "**Compliance Adviser**"), except for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 9 May 2012 and the holding company of the Compliance Adviser has held approximately 4.89% of the issued share capital of the Company, neither the Compliance Adviser nor its directors, employees or other associates had any interests in relation to the Company which is required to be notified to the Group pursuant to Rule 6A.32 of the GEM Listing Rules.

CONNECTED TRANSACTIONS

Material related party transactions entered into by the Group during the year ended 30 June 2012 are disclosed in Note 23 to the consolidated financial statements. Some of these transactions also constitute connected transactions under the GEM Listing Rules, as identified below.

NON-EXEMPT CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

(I) ERG HK LICENSING AGREEMENT

On 28 February 2012, ERG HK entered into a licensing agreement ("**ERG HK Licensing Agreement**") with Vix IP Pty Ltd ("**Vix IP**") for a period commencing from the date of the agreement and ending on 20 July 2014, then subject to renewal and negotiation upon expiry every three years pursuant to the terms of the ERG HK Licensing Agreement.

Vix IP is a wholly owned subsidiary of Vix Holdings Ltd ("**Vix Holdings**"), which in turn is indirectly held as to approximately 100% by Mr. Duncan Paul Saville, one of the shareholders of the Company through his indirect interest in Vix Holdings. Accordingly, Vix IP is an associate of the Company under the GEM Listing Rules and thus will be regarded as connected person of the Company under the GEM Listing Rules.

Pursuant to the ERG HK Licensing Agreement, Vix IP, as licensor, grants to ERG HK, the licensee, a non-exclusive and non-transferable licence to use the licensor technology, namely, any technology owned by or licensed to Vix IP or an affiliate of Vix IP which is capable of being used in an automatic fare collection system, product or service ("**ERG HK Licensor Technology**"). The amount payable by ERG HK to Vix IP under the ERG HK Licensing Agreement will be the greater of AUD50,000 (equivalent to approximately HK$400,000) or 1% of the portion of the contract price attributable to the use of the ERG HK Licensor Technology, payable in AUD, of each identified contract or subcontract to which ERG HK is involved whether as a contractor or subcontractor and where it utilises the ERG HK Licensor Technology. Further details of the ERG HK Licensing Agreement were set out in the Prospectus.

For the year ended 30 June 2012, Vix IP and ERG HK had not carried out any transaction in relation to the ERG HK Licensing Agreement.

(II) ERG BJ LICENSING AGREEMENT

On 28 February 2012, ERG BJ entered into a licensing agreement (the "**ERG BJ Licensing Agreement**") with Vix IP for a period commencing from the date of the agreement and ending on 20 July 2014, then subject to renewal and negotiation upon expiry every three years pursuant to the terms of the ERG BJ Licensing Agreement. Pursuant to the ERG BJ Licensing Agreement, Vix IP, as licensor, grants to ERG BJ, the licensee, a non-exclusive and non-transferable licence to use the licensor technology, namely Vix IP's technology which is the ACC technology for the project relating to the ACC System of the Beijing subway and other technology, namely additional support development and additional support, updated from time to time, as defined therein ("**ERG BJ Licensor Technology**", together with the ERG HK Licensor Technology, the "**Licensor Technology**"), solely for the purposes (i) to enable ERG BJ to use the ERG BJ Licensor Technology in automatic fare collection systems to be adopted in the future development of the subway lines in the city of Beijing; and (ii) to enable the marketing, sale, supply and operation of smartcard-based fare collection systems by ERG BJ, as applicable, within the territory of the PRC, excluding the automatic fare collection systems to be adopted in the development of the subway lines within the city of Beijing. The amount payable by ERG BJ to Vix IP for ERG BJ to use the ERG BJ Licensor Technology in automatic fare collection systems to be adopted in the future development of the subway lines in the city of Beijing, under the ERG BJ Licensing Agreement will be the greater of AUD50,000 (equivalent to approximately HK$400,000) or 1% of the portion of the contract price attributable to the use of the ERG BJ Licensor Technology, as agreed by Vix IP and ERG BJ, payable in AUD, of each identified project in which ERG BJ is involved whether as contractor or subcontractor and where it shall utilise the ERG BJ Licensor Technology. Whereas, the amount payable by ERG BJ to Vix IP for the marketing, sale, supply and operation of smartcard-based fare collection systems by ERG BJ, as applicable, within the territory of the PRC, excluding the automatic fare collection systems to be adopted in the development of the subway lines within the city of Beijing, will be the greater of AUD100,000 (equivalent to approximately HK$800,000) or 1.5% of the portion of the contract price attributable to the use of the ERG BJ Licensor Technology, as agreed by Vix IP and ERG BJ, payable in AUD, of each identified project in which ERG BJ is involved whether as contractor or subcontractor and where it shall utilise the ERG BJ Licensor Technology. Further details of the ERG BJ Licensing Agreement were set out in the Prospectus.

For the year ended 30 June 2012, Vix IP and ERG BJ had not carried out any transaction in relation to the ERG BJ Licensing Agreement.

(III) OPTIMISATION PROJECT TECHNICAL SERVICE AGREEMENT

Pursuant to the technical service agreement dated 8 June 2012 (the "**Optimisation Project Technical Service Agreement**"), ERG BJ appoints Vix Technology (East Asia) Limited ("**Vix East Asia**") to provide ERG BJ with technical services in relation to the optimisation of the ACC System of Beijing Subway with effect from signing of such agreement, under which Vix East Asia provides technical services which include engineering construction, design, installation, debugging, test run, training, trial operation of the system, project management, the technical services during quality assurance, correlative technical direction and training for development of various software applications.

As at the date of this report, ERG Greater China BVI was a controlling shareholder of and a connected person of the Company which held approximately 60.16% of the total issued share capital of the Company. Vix East Asia was interested as to 30% in the equity interests of ERG Greater China BVI. Accordingly, Vix East Asia is an associate of ERG Greater China BVI, and is therefore a connected person of the Company.

Vix East Asia will receive a service fee of approximately HK$8.09 million under the Optimisation Project Technical Service Agreement. Such service fee was determined on an arm's length basis, with reference to the size of the project, the nature and amount of work and services to be provided by Vix East Asia. Further details of the Optimisation Project Technical Service Agreement were set out in the announcement of the Company dated 8 June 2012.

For the year ended 30 June 2012, the technical service fee actually incurred by Vix East Asia to the Group amounted to HK$8.09 million.

(IV) ACC SYSTEM PROJECT TECHNICAL SERVICE AGREEMENT

Pursuant to the technical service agreement dated 8 June 2012 (the "**ACC System Project Technical Service Agreement**"), ERG BJ appoints Vix East Asia to provide ERG BJ with technical services in relation to the operation of the ACC System of Beijing Subway for a term of two years with effect from signing of such agreement, under which Vix East Asia provides technical services including ACC System application software support, ACC System emergency support, software and hardware consultation support and software tools ongoing support to ERG BJ.

Vix East Asia will receive an aggregate annual service fee of approximately HK$1.78 million comprising (i) a fixed basic service fee ("**Basic Service Fee**") of approximately HK$1.60 million; and (ii) a fixed materials cost ("**Materials Cost**") of HK$0.18 million for emergency support and software and hardware consultation support service. Such service fee was determined on an arm's length basis, with reference to the nature and amount of work and services to be provided by Vix East Asia. Further details of the ACC System Project Technical Service Agreement were set out in the announcement of the Company dated 8 June 2012.

For the year ended 30 June 2012, the technical service fee actually incurred by Vix East Asia to the Group amounted to HK$0.15 million.

Pursuant to Rule 20.38 of the GEM Listing Rules, the Board has engaged the auditor to report on the Group's continuing connected transactions and the auditor has confirmed the continuing connected transactions in accordance with Rule 20.38 of the GEM Listing Rules and issued an unqualified letter containing their findings and conclusions accordingly.

The independent non-executive Directors have confirmed the continuing connected transactions in accordance with Rule 20.37 of the GEM 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 terms 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.

Save as disclosed above, there were no other transactions which are required to be disclosed as continuing connected transactions in accordance with the requirements of the GEM Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Details of the non-adjusting events after the reporting period of the Group are set out in Note 24 to the consolidated financial statements.

CODE OF CONDUCT FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically 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. The Company has confirmed, having made specific enquiry of the Directors that all the Directors have complied with the required standards of dealings throughout the year ended 30 June 2012. The Company was not aware of any non-compliance during the period from the Listing Date to 30 June 2012.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has compiled with the code provisions in the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 of the GEM Listing Rules during the period from the Listing Date to 30 June 2012.

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section on pages 26 to 32 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public. The Company has maintained a sufficient public float in compliance with Rule 18.08B of the GEM Listing Rules.

AUDIT COMMITTEE

The Company established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C.3.3 and C.3.7 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. As at 30 June 2012, the Audit Committee comprises three Independent Non-Executive Directors, namely Dr. Kong Shin Long, Johnny (Chairman of the Audit Committee), Mr. Hu Zhaoguang and Mr. Bai Jinrong.

Since the establishment of the Audit Committee, the Audit Committee performed duties including reviewing the Group's financial statements, audit findings, external auditor's independence and the Group's accounting principles and practices.

The Group's annual results for the year ended 30 June 2012 have been reviewed by the Audit Committee. The Audit Committee is of the opinion that the financial statements of the Company and the Group for the year ended 30 June 2012 comply with applicable accounting standards, GEM Listing Rules and the legal requirements, and that adequate disclosures have been made.

AUDITORS

The consolidated financial statements for the year ended 30 June 2012 were audited by KPMG, who shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution for the re-appointment of KPMG as auditor of the Company will be proposed at the AGM.

By order of the Board
China City Railway Transportation Technology Holdings Limited
Cao Wei
Executive Director
Chief Executive Officer

Hong Kong, 26 September 2012

Corporate Governance Report

The Board is pleased to present this Corporate Governance Report in the Group's Annual Report for the year ended 30 June 2012.

CORPORATE GOVERNANCE PRACTICES

The shares of the Company commenced trading on the Stock Exchange on the Listing Date. Prior to the Listing Date, the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") contained in Appendix 15 of the GEM Listing Rules was not applicable to the Company. During the period from the Listing Date to 30 June 2012, the Company has complied with the code provisions set out in the CG Code.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board currently comprises the following seven Directors:

Dr. Tian Zhenqing	Chairman and Non-Executive Director
Mr. Cao Wei	Chief Executive Officer and Executive Director
Mr. Chen Rui	Executive Director
Mr. Steven Bruce Gallagher	Non-Executive Director
Mr. Hu Zhaoguang	Independent Non-Executive Director
Mr. Bai Jinrong	Independent Non-Executive Director
Dr. Kong Shin Long, Johnny *CPA*	Independent Non-Executive Director

The biographical details of the Directors are set out on pages 13 to 14 of this Annual Report. In accordance with the Articles, one-third of the Directors are subject to retirement by rotation 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 the office and being eligible offer themselves for re-election provided that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date. The appointment can be terminated by either party by giving to the other not less than three months' prior written notice. Each of the Independent Non-Executive Directors has entered into a letter of appointment with the Company and for a fixed term of three years commencing from the Listing Date. The appointment can be terminated by the Company by giving the Independent Non-Executive Directors not less than three months' prior written notice.

The Board included 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 the year ended 30 June 2012. None of the members of the Board is related to one another.

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

ROLE AND FUNCTION

The Board has overall responsibility for the stewardship of the Group, including the responsibilities for the adoption of long-term strategies and appointing and supervising senior management to ensure that the operation of the Group is conducted in accordance with the objective of the Group. Execution of daily operational matters is delegated to the management.

The Board is also responsible for determining the Company's corporate governance policies and performing corporate governance duties set out under 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; (iv) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and (v) to review the Company's disclosure in the Corporate Governance Report.

During the period from the Listing Date to 30 June 2012, the Board did not hold any meeting in relation to its corporate governance functions.

BOARD MEETINGS

The Board will meet regularly (at least four times a year at quarterly intervals) for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. 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 be dealt with such conflict issues.

Notice of at least 14 days have been 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 reasonable time before the meeting. Draft minutes of all Board meetings are circulated to Directors for comment within a reasonable time prior to confirmation.

Minutes of Board meetings and meetings of Board committees are kept by duly appointed secretaries of the respective meetings and 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.

BOARD COMMITTEES

AUDIT COMMITTEE

The Company established an Audit Committee pursuant to a resolution of the Directors passed on 8 December 2011 with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C.3.3 and C.3.7 of the CG Code. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor, review the financial statements and material advice in respect of financial reporting, and oversee internal control procedures of the Company. As at 30 June 2012, the Audit Committee consists of three Independent Non-Executive Directors, namely Mr. Hu Zhaoguang, Mr. Bai Jinrong and Dr. Kong Shin Long, Johnny *CPA*. The audit committee is chaired by Dr. Kong Shin Long, Johnny *CPA*.

During the period from the Listing Date to 30 June 2012, no Audit Committee meeting was held during this period. The first Audit Committee meeting was held on 26 September 2012 for, inter alia, reviewing the Group's annual results for the year ended 30 June 2012 as well as its compliance procedures.

REMUNERATION COMMITTEE

The Company established a remuneration committee pursuant to a resolution of the Directors passed on 8 December 2011 with written terms of reference in compliance with Rule 5.34 and Rule 5.35 of the GEM Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with paragraph B.1.2 of the CG Code. The primary duties of the remuneration committee are to make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group and ensure none of the Directors determine their own remuneration. As at 30 June 2012, the remuneration committee consists of two Independent Non-Executive Directors and one Executive Director, namely Mr. Hu Zhaoguang, Mr. Bai Jinrong and Mr. Cao Wei. The remuneration committee is chaired by Mr. Hu Zhaoguang.

Details of the remuneration of Directors are set out in Note 7 to the consolidated financial statements.

During the period from the Listing Date to 30 June 2012, no remuneration committee meeting was held during this period. The first remuneration committee meeting was held on 26 September 2012 for, inter alia, reviewing the overall remuneration policy and structure relating to all Directors and senior management of the Group.

NOMINATION COMMITTEE

The Company established a nomination committee on 8 December 2011 with written terms of reference in compliance with paragraph A.5.2 of the CG Code. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis; identify individuals suitably qualified to become Board members; access the independence of Independent Non-Executive Directors; and make recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors. The nomination committee comprises one Non-Executive Director and two Independent Non-Executive Directors, namely Dr. Tian Zhenqing, Mr. Hu Zhaoguang and Mr. Bai Jinrong. The nomination committee is chaired by Dr. Tian Zhenqing.

During the period from the Listing Date to 30 June 2012, no nomination committee meeting was held during this period as the Company has not appointed new director. The first nomination committee meeting was held on 26 September 2012 for, inter alia, reviewing the structure, size and composition of the Board as well as discussing matters regarding the retirement and re-election of Directors.

NUMBER OF MEETINGS AND ATTENDANCE RECORDS

During the period from the Listing Date to 30 June 2012, there was no regular Board meeting held for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company. The Company held its first regular Board meeting on 26 September 2012 for reviewing and approving the financial and operating performance for the year ended 30 June 2012, and considering and approving the overall strategies and policies of the Company for the year ending 30 June 2013.

During the period from the Listing Date to 30 June 2012, one Board meeting was held for reviewing and approving the connected and continuing connected transactions entered into between ERG BJ and Vix East Asia, details of which are set out in the section headed "Connected Transaction" in the Directors' Report contains in this Annual Report.

The Company did not hold any general meeting during the period from the Listing Date to 30 June 2012. The first AGM is scheduled to be held on Tuesday, 13 November 2012.

The attendance records of each Director at the Board meetings, Board committees' meetings and general meetings are set out in the table below:

	Meetings attended/Eligible to attend				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Cao Wei *(Chief Executive Officer)*	1/1	–/–	–/–	–/–	–/–
Mr. Chen Rui	1/1	–/–	–/–	–/–	–/–
Non-Executive Directors					
Dr. Tian Zhenqing *(Chairman)*	1/1	–/–	–/–	–/–	–/–
Mr. Steven Bruce Gallagher	1/1	–/–	–/–	–/–	–/–
Independent Non-Executive Directors					
Mr. Hu Zhaoguang	1/1	–/–	–/–	–/–	–/–
Mr. Bai Jinrong	1/1	–/–	–/–	–/–	–/–
Dr. Kong Shin Long, Johnny *CPA*	1/1	–/–	–/–	–/–	–/–

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The roles of the Chairman and Chief Executive Officer are segregated and are held by Dr. Tian Zhenqing and Mr. Cao Wei respectively to ensure their respective independence, accountability and responsibility. The Chairman is responsible for the Group's strategic planning and the management of the operations of the Board, while the Chief Executive Officer takes the lead in the Group's operations and business development. 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 Company has received written annual confirmation from each Independent Non-Executive Director of his independence pursuant to the requirements of the rule 5.09 of the GEM Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the GEM Listing Rules for the period from the Listing Date to 30 June 2012.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors that may arise out the corporate activities, which has been complied with paragraph A.1.8 of the CG Code. The insurance coverage will be reviewed on an annual basis.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All Directors have been given relevant guideline materials and attended briefings regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest and business of the Group. Such induction materials and briefings will also be provided to newly appointed Directors shortly upon their appointment as Directors. Continuing briefings and professional development to Directors will be arranged whenever necessary.

For the year ended 30 June 2012, all Directors have been updated on the latest developments regarding the GEM Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices, which has been complied with paragraph A.6.5 of the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company periodically 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. The Company has confirmed, having made specific enquiry of the Directors that all the Directors have complied with the required standards of dealings throughout the year ended 30 June 2012. The Company was not aware of any non-compliance during the period from the Listing Date to 30 June 2012.

AUDITOR'S REMUNERATION

As at 30 June 2012, the fees paid and payable to the Group's auditors in respect of their audit and non-audit services provided to the Group were as follows:

	Amount (HK$'000)
Type of services	
Audit services	1,902
Non-audit services – Reporting accountants for the Company's listing exercise	3,320
	5,222

INTERNAL CONTROLS

The Board is responsible for maintaining a sound and effective internal control system 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.

The Board has conducted a review of the effectiveness of the Group's internal control system for the year ended 30 June 2012 and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group. In preparing the financial statements, the generally accepted accounting standards in Hong Kong have been adopted, 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 Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the financial statements.

INVESTOR RELATIONS AND COMMUNICATION

The Board recognises the importance of good communications with all shareholders. The Company believes that maintaining a high level of transparency is a key to enhance investor relations. 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 annual reports and public announcements. Extensive information about the Company's activities for the year ended 30 June 2012 has been provided in this Annual Report. While the AGM provides a valuable forum for direct communication between the Board and its shareholders, the Company also maintains its website (www.ccrtt.com.hk) to provide an alternative communication channel for the public and its shareholders. All corporate communication and Company's latest updates are available on the Company's website for public's information.

SHAREHOLDERS' RIGHTS

PROCEDURES FOR SHAREHOLDERS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

The following procedures for shareholders ("Shareholders") of the Company to convene an extraordinary general meeting ("EGM") of the Company are prepared in accordance with article 12 of the Articles:

(1) Two or more Shareholders ("Requisitionist(s)") holding, at the date of deposit of the requisition, not less than one tenth of the paid up capital of the Company having the right of voting at general meetings shall have the right, by written notice, to require an EGM to be called by the directors of the Company ("Directors") for the transaction of any business specified in such requisition.

(2) Such requisition shall be made in writing to the Board or the company secretary of the Company at the following:

Principal place of business of the Company in Hong Kong

Address:	Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong
Email:	patrick.lau@ccrtt.com.hk
Attention:	Mr. Patrick Lau

Registered office of the Company

Address:	Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman KY1-1112, Cayman Islands
Attention:	Mr. Patrick Lau

(3) The EGM shall be held within three months after the deposit of such requisition.

(4) If the Directors fail to proceed to convene such meeting within twenty-one (21) days of such deposit, the Requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the Requisitionist(s) as a result of the failure of the Directors shall be reimbursed to the Requisitionist(s) by the Company.

PROCEDURES FOR SHAREHOLDERS TO DIRECT ENQUIRIES TO THE COMPANY

For matters in relation to the Board, the shareholders can contact the Company at the following:

Address:	Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong
Email:	enquiry@ccrtt.com.hk
Tel:	(852) 2805 2588
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 can contact:

Hong Kong branch share registrar and transfer office of the Company

Tricor Investor Services Limited

Address:	26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

To put forward proposals at a general meeting of the Company, a shareholder should lodge a written notice of his/her proposal ("Proposal") with his/her detailed contact information at the Company's principal place of business at Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong.

The request will be verified with the Company's branch share registrars in Hong Kong and upon their confirmation that the request is proper and in order, the Board will be asked to include the Proposal in the agenda for the general meeting.

The notice period to be given to all the shareholders for consideration of the Proposal raised by the shareholder concerned at the general meeting varies according to the nature of the Proposal as follows:

(a) At least 14 days' notice in writing if the Proposal requires approval by way of an ordinary resolution of the Company.

(b) At least 21 days' notice in writing if the Proposal requires approval by way of a special resolution of the Company in an extraordinary general meeting of the Company or an ordinary resolution of the Company in an annual general meeting of the Company.

NON-COMPETITION UNDERTAKINGS

Vix Transportation Systems Pty Ltd ("Vix Transportation") has given an irrevocable undertaking ("Vix Undertaking") in favour of the Group on 24 April 2012 pursuant to which Vix Transportation, as covenantor, irrevocably undertakes to our Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding ("Vix Affiliate") and/or companies controlled by Vix Transportation shall engage in any business or activity similar to or which competes or may compete with the business of the Group. Details of the Vix Undertaking are set out in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in the Prospectus. Pursuant to the Vix Undertaking, in circumstances where the Company does not, or where Vix Transportation believes that our Company has not and will not after making reasonable enquiry, bid for or provide a proposal for an opportunity containing the scope in the area of passenger auto fare collection, Vix Transportation or a Vix Affiliate is entitled to provide a bid or proposal for such opportunity. Our Board will decide whether our Group will bid or not bid for any business opportunity and/or transactions. The interested Director(s) will abstain from voting and the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. During the period from the Listing Date to 30 June 2012, no such transaction or board meeting had taken place.

Each of the Controlling Shareholders (as defined in the Prospectus), including ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang has confirmed that none of them is engaged in, or interested in any business (other than the Group) which, directly or indirectly, competes or may compete with the business of the Group. To protect the Group from any potential competition, the Controlling Shareholders ("Covenantors") have given an irrevocable non-competition undertaking ("Non-competition Undertaking") in favour of the Group on 24 April 2012. Details of the Non-competition Undertaking are set out in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in the Prospectus. Each of the Covenantors also irrevocably undertakes to the Group that he/she/it will refer all enquiries and actual or potential business opportunities in relation to the relevant business received by him/her/it and/or companies under his control and he/she/it will provide or procure the companies under his/her/its control to provide sufficient information to enable the Company or the relevant member of the Group to reach an informed view and assessment on such business opportunities. The Board will then decide whether the Group will bid or not bid for any business opportunity and/or transactions. The interested Director(s) will abstain from voting at the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. During the period from the Listing Date to 30 June 2012, no such business opportunity or transaction or board meeting had taken place.

During the period from the Listing Date to 30 June 2012, no meeting was held by the independent non-executive Directors on matters relating to the compliance and enforcement of the Non-competition Undertaking. The Controlling Shareholders have confirmed with the Company that they have complied with the Non-competition Undertaking and no relevant business opportunity or transaction had taken place.

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China City Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 34 to 76, which comprise the consolidated and the Company's statements of financial position as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2012 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

26 September 2012

Consolidated Income Statement

for the year ended 30 June 2012 *(Expressed in Hong Kong dollars ("HK$"))*

	Note	2012 HK$'000	2011 HK$'000
Revenue	*4*	**190,240**	72,047
Cost of sales		**(53,277)**	(24,576)
Business tax and surcharges		**(3,126)**	(2,668)
Gross profit	*4(b)*	**133,837**	44,803
Other net income		**27**	12
Selling, general and administrative expenses		**(29,735)**	(12,384)
Profit from operations		**104,129**	32,431
Investment income		**16**	48
Share of (loss)/profit of an associate		**(4,915)**	13,341
Profit before taxation	*5*	**99,230**	45,820
Income tax	*6*	**(18,515)**	(5,350)
Profit attributable to equity shareholders of the Company for the year		**80,715**	40,470
Earnings per share			
– Basic and diluted (HK$)	*10*	**0.13**	0.08

The notes on pages 41 to 76 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 20(b)(i).

Consolidated Statement of

Comprehensive Income

for the year ended 30 June 2012 *(Expressed in HK$)*

	2012 **HK$'000**	2011 HK$'000
Profit for the year	**80,715**	40,470
Other comprehensive income for the year (before and after tax):		
Exchange differences on translation into presentation currency	**656**	1,409
Total comprehensive income attributable to equity shareholders of the Company for the year	**81,371**	41,879

The notes on pages 41 to 76 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2012 *(Expressed in HK$)*

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	*11*	**1,502**	1,093
Intangible assets	*12*	**39,560**	18
Interest in an associate	*13*	**23,400**	18,572
Deferred tax assets	*19*	**1,911**	53
		66,373	19,736
Current assets			
Inventories	*15*	**1,554**	685
Trade and other receivables	*16*	**193,458**	32,679
Cash and cash equivalents	*17*	**203,196**	33,021
		398,208	66,385
Current liabilities			
Trade and other payables	*18*	**106,053**	44,971
Current taxation	*19*	**18,714**	194
		124,767	45,165
Net current assets		**273,441**	21,220
NET ASSETS		**339,814**	40,956
CAPITAL AND RESERVES	*20*		
Share capital		**8,000**	1
Reserves		**331,814**	40,955
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY		**339,814**	40,956

Approved and authorised for issue by the board of directors on 26 September 2012.

Tian Zhenqing
Director

Cao Wei
Director

The notes on pages 41 to 76 form part of these financial statements.

Statement of
Financial Position

at 30 June 2012 *(Expressed in HK$)*

	Note	2012 HK$'000	2011 HK$'000
Non-current asset			
Investment in a subsidiary	*14*	**40,955**	40,955
Current assets			
Other receivables	*16*	**39,266**	–
Cash and cash equivalents	*17*	**166,449**	1
		205,715	1
Current liabilities			
Accrued expenses	*18*	**971**	–
Net current assets		**204,744**	1
NET ASSETS		**245,699**	40,956
CAPITAL AND RESERVES	*20*		
Share capital		**8,000**	1
Reserves		**237,699**	40,955
TOTAL EQUITY		**245,699**	40,956

Approved and authorised for issue by the board of directors on 26 September 2012.

Tian Zhenqing
Director

Cao Wei
Director

The notes on pages 41 to 76 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012 *(Expressed in HK$)*

	Attributable to equity shareholders of the Company					
	Share capital HK$'000 *(Note 20(c))*	Capital reserve HK$'000 *(Note 20(e))*	Statutory reserves HK$'000 *(Note 20(f))*	Exchange reserve HK$'000 *(Note 20(g))*	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 July 2010	–	17,165	265	938	3,757	22,125
Changes in equity for 2011:						
Profit for the year	–	–	–	–	40,470	40,470
Other comprehensive income	–	–	–	1,409	–	1,409
Total comprehensive income	–	–	–	1,409	40,470	41,879
Issuance of shares *(Note 20(c)(ii))*	1	–	–	–	–	1
Contributions from equity shareholders of the Company	–	399	–	–	–	399
Appropriation to reserves	–	–	3,446	–	(3,446)	–
Distributions to equity shareholders of the Company *(Note 20(b)(ii))*	–	–	–	–	(23,448)	(23,448)
Transactions with equity holders of the Group	1	399	3,446	–	(26,894)	(23,048)
Balance at 30 June 2011	1	17,564	3,711	2,347	17,333	40,956

The notes on pages 41 to 76 form part of these financial statements.

	Attributable to equity shareholders of the Company						
	Share capital HK$'000 *(Note 20(c))*	Share premium HK$'000 *(Note 20(d))*	Capital reserve HK$'000 *(Note 20(e))*	Statutory reserves HK$'000 *(Note 20(f))*	Exchange reserve HK$'000 *(Note 20(g))*	Retained earnings HK$'000	Total equity HK$'000
Balance at 1 July 2011	1	–	17,564	3,711	2,347	17,333	40,956
Changes in equity for 2012:							
Profit for the year	–	–	–	–	–	80,715	80,715
Other comprehensive income	–	–	–	–	656	–	656
Total comprehensive income	–	–	–	–	656	80,715	81,371
Issuance of shares *(Note 20(c)(ii))*	82	42,350	–	–	–	–	42,432
Cancellation of original issued shares and re-issuance of new shares *(Note 20(c)(iii))*	(83)	83	–	–	–	–	–
Capitalisation issue *(Note 20(c)(iv))*	6,000	(6,000)	–	–	–	–	–
Issuance of shares by initial public offering *(Note 20(c)(v))*	2,000	198,000	–	–	–	–	200,000
Share issuance expenses *(Note 20(c)(v))*	–	(24,945)	–	–	–	–	(24,945)
Appropriation to reserves	–	–	–	9,256	–	(9,256)	–
Transactions with equity holders of the Group	7,999	209,488	–	9,256	–	(9,256)	217,487
Balance at 30 June 2012	8,000	209,488	17,564	12,967	3,003	88,792	339,814

The notes on pages 41 to 76 form part of these financial statements.

Consolidated

Cash Flow Statement

for the year ended 30 June 2012 *(Expressed in HK$)*

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
Profit before taxation		**99,230**	45,820
Adjustments for:			
Depreciation and amortisation	*5(b)*	**13,631**	445
Interest income	*5(b)*	**(58)**	(24)
Investment income		**(16)**	(48)
Share of loss/(profit) of an associate		**4,915**	(13,341)
Changes in working capital:			
Increase in inventories		**(869)**	(5)
Increase in trade and other receivables		**(157,774)**	(25,544)
Increase in trade and other payables		**27,550**	15,576
Cash (used in)/generated from operations		**(13,391)**	22,879
Cash received from profit appropriation of an associate		**–**	5,007
Interest income received		**58**	24
Income tax paid	*19(a)*	**(1,853)**	(5,357)
Net cash (used in)/generated from operating activities		**(15,186)**	22,553
Investing activities			
Payments for purchase of short term investments		**(3,065)**	(13,212)
Proceeds from sale of short term investments		**3,081**	13,241
Investment income received		**–**	19
Payments for purchase of property, plant and equipment and intangible assets		**(1,869)**	(255)
Net cash used in investing activities		**(1,853)**	(207)
Financing activities			
Contributions from equity shareholders of the Company		**19,577**	23,255
Proceeds from issuance of shares by initial public offering	*20(c)(v)*	**197,353**	–
Payments for share issuance expenses	*20(c)(v)*	**(24,945)**	–
Distribution to equity shareholders of the Company	*20(b)(ii)*	**(4,878)**	(18,570)
Net cash generated from financing activities		**187,107**	4,685
Net increase in cash and cash equivalents		**170,068**	27,031
Cash and cash equivalents at 1 July	*17*	**33,021**	5,812
Effect of foreign exchange rate changes		**107**	178
Cash and cash equivalents at 30 June	*17*	**203,196**	33,021

The notes on pages 41 to 76 form part of these financial statements.

1 CORPORATE INFORMATION

China City Railway Transportation Technology Holdings Company Limited (the "Company"), formerly known as Beijing Metro Holdings Company Limited, 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 of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (collectively referred to as the "Group") and the Group's interest in an associate. 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.

Pursuant to a group reorganisation completed on 27 June 2011 (the "Reorganisation") to rationalise the Group's structure in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 3 May 2012 (the "Prospectus").

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 ("IASB") and the 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. A summary of the significant accounting policies adopted by the Group is set out 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 and of the Company. 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 30 June 2012 comprise the Group and the Group's interest in an associate.

The consolidated financial statements for the year ended 30 June 2011 have been prepared using the merger basis of accounting as if the Group has always been in existence since 1 July 2010 (or where companies were incorporated at a date later than 1 July 2010, since their respective dates of incorporation), as the companies now comprising the Group were jointly controlled by the same ultimate equity shareholder group, namely Mr. Cao Wei and his close family member, (the "Controlling Shareholders") before and after the Reorganisation.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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.

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 a number of amendments to IFRSs that are first effective for the current accounting period of the Group and of the Company. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (revised 2009), *Related party disclosures*
- Improvements to IFRSs (2010)
- Amendments to IFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

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

The impacts of these developments are discussed below:

- IAS 24 (revised 2009) revises the definition of a related party. As a result, the Group has re-assessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous periods. IAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.
- Improvements to IFRSs (2010) omnibus standard introduce a number of amendments to the disclosure requirements in IFRS 7, *Financial instruments: Disclosures*. The disclosures about the Group's financial instruments in Note 22 have been conformed to the amended disclosure requirements. These amendments do not have any material impact on the classification, recognition and measurements of the amounts recognised in the financial statements in the current and previous periods.
- The amendments to IFRS 7 require certain disclosures to be included in the financial statements in respect of all transferred financial assets that are not derecognised and for any continuing involvement in a transferred asset existing at the reporting date, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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.

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

(e) Associate

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

An investment in an associate 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(i)(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investee and any impairment losses for the year are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investee's other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, 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.

Unrealised profits and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated income statement.

(f) 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(i)(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 the income statement 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 the income statement as incurred.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment (continued)

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 unexpired term of the lease
Office equipment, motor vehicles and others	4-5 years
Electronic equipment	3 years

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.

(g) Intangible assets

Development of software outsourced and subsequently re-acquired by the Group are classified as intangible assets with finite useful lives and are stated at cost less accumulated amortisation and impairment losses (see Note 2(i)(ii)).

Amortisation of intangible assets with finite useful lives is charged to the income statement 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	3-5 years

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.

(h) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leased assets (continued)

(ii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments 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 the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

(i) Impairment of assets

(i) Impairment of investments in equity securities and receivables

Investments in equity securities and receivables that are stated at cost or amortised cost 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 below its cost.

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

– For investments in subsidiaries and an associate (including that recognised using the equity method (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(i)(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(i)(ii).

– For trade and other receivables 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 the income statement. 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(i) Impairment of investments in equity securities and receivables (continued)

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 the income statement.

(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 an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment; and

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated. In addition, for 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 to sell 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 the income statement 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 to reduce the carrying amount of the assets in the cash-generating 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 to sell, or value in use, if determinable.

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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 the income statement in the year in which the reversals are recognised.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) 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.

(k) Project contracts in progress

Project contracts in progress represents 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(r)(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 is 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 deferred revenue in the statement of financial position.

(l) 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(i)(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(i)(i)).

(m) Trade and other payables

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

(n) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(p) 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 the income statement 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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Income tax (continued)

The carrying amount of a deferred tax asset is reviewed at the end of the 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.

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.

(q) 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.

(r) 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 the income statement 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)

(r) 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 trade discounts.

(iii) Interest income

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

(s) Translation of foreign currencies

Foreign currency transactions during the year 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 the income statement.

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 exchange rates at the transaction dates.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items 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.

(t) 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).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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

Note 22(e) contains information relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in Note 2(r)(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 16 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 for 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 intangible assets

If circumstances indicate that the carrying amount of an 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 intangible assets as described in Note 2(i)(ii). The carrying amounts of intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. These assets are tested for impairment 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 net selling price and the 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 carrying value of the assets and could result in additional impairment charge or reversal of impairment in future years.

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.

Revenue represents contract revenue from the provision of design and implementation of application solution services, contract revenue from the provision of maintenance of application solution services, sales of application solution software, and sales of application solution related hardware and spare parts. The amount of each significant categories of revenue recognised during the year is as follows:

	2012	2011
	HK$'000	HK$'000
Revenue from the provision of design and implementation of application solution services	**49,909**	37,627
Revenue from the provision of maintenance of application solution services	**29,104**	31,595
Sales of application solution software	**70,680**	–
Sales of application solution related hardware and spare parts	**40,547**	2,825
	190,240	72,047

For the year ended 30 June 2012, revenues from transactions with four (2011: two) customers had exceeded 10% of the Group's revenue. Revenue from these customers amounted to HK$136,999,000 (2011: HK$59,661,000) for the year ended 30 June 2012.

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

(b) Segment reporting

The Group manages its businesses by business lines. In view of the continuous expansion of the Group's operations, the information reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment has expanded from one operating segment to the following four operating segments for the year ended 30 June 2012. No operating segments have been aggregated to form the following reportable segments.

- Design and implementation: this segment provides design and implementation of application solution services.
- Maintenance: this segment provides application solution maintenance services.
- Software: this segment designs and sales application solution software.
- Hardware and spare parts: this segment sales application solution related hardware and spare parts.

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities

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 30 June 2012 and 2011. The Group's other income and expense items, such as selling, general and administrative expenses and share of (loss)/profit of an associate, 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, interest income and interest expenses 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 30 June 2012 and 2011 is set out below.

	2012				
	Design and implementation HK$'000	Maintenance HK$'000	Software HK$'000	Hardware and spare parts HK$'000	Total HK$'000
Revenue from external customers and reportable segment revenue	**49,909**	**29,104**	**70,680**	**40,547**	**190,240**
Reportable segment gross profit	**32,979**	**21,228**	**55,653**	**23,977**	**133,837**

	2011			
	Design and implementation HK$'000	Maintenance HK$'000	Hardware and spare parts HK$'000	Total HK$'000
Revenue from external customers and reportable segment revenue	37,627	31,595	2,825	72,047
Reportable segment gross profit	22,138	21,296	1,369	44,803

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(ii) Geographic information

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

	2012	2011
	HK$'000	HK$'000
Mainland China	**168,276**	51,354
Hong Kong	**17,737**	16,599
The People's Republic of China (the "PRC") (place of domicile)	**186,013**	67,953
Thailand	**3,827**	1,694
Australia	**400**	2,400
	4,227	4,094
	190,240	72,047

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

5 PROFIT BEFORE TAXATION

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

(a) Staff costs

	2012	2011
	HK$'000	HK$'000
Salaries, wages and other benefits	**19,807**	13,373
Contributions to defined retirement plans	**1,565**	882
	21,372	14,255

The employees of the subsidiary of the Group established in the PRC (the "PRC subsidiary") participate in a defined contribution retirement benefit scheme managed by the local government authority, whereby the PRC subsidiary is required to contribute to the scheme at a rate of 20% of the employees' basic salaries. Employees of the PRC subsidiary are entitled to retirement benefits, calculated based on a percentage of the average salaries level in the PRC, from the above mentioned retirement scheme at their normal retirement age.

5 PROFIT BEFORE TAXATION (CONTINUED)

(a) Staff costs (continued)

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 subsidiary 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$20,000 to HK$25,000. 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

	2012	2011
	HK$'000	HK$'000
Cost of inventories *(Note 15(b))*	**20,713**	2,177
Auditors' remuneration		
– audit service (including initial public offering related audit service)	**5,222**	413
Depreciation and amortisation *(Notes 11 and 12)*	**13,631**	445
Operating lease charges in respect of office premises	**2,436**	1,048
Interest income	**(58)**	(24)
Net foreign exchange loss	**4**	12

6 INCOME TAX

(a) Income tax in the consolidated income statement represents:

	2012	2011
	HK$'000	HK$'000
Current taxation *(Note 19(a))*		
– Hong Kong Profits Tax	**1,273**	1,526
– PRC Corporate Income Tax	**19,100**	3,816
	20,373	5,342
Deferred taxation *(Note 19(b))*	**(1,858)**	8
	18,515	5,350

6 INCOME TAX (CONTINUED)

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

	2012 HK$'000	2011 HK$'000
Profit before taxation	**99,230**	45,820
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**25,706**	10,849
Tax effect of non-deductible expenses	**35**	380
Tax effect of unused tax losses not recognised *(Note 19(c))*	**3,085**	–
Tax concessions *(Note (iv))*	**(11,540)**	(2,544)
Tax effect of share of loss/(profit) of an associate	**1,229**	(3,335)
Income tax	**18,515**	5,350

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 30 June 2012 (2011: 16.5%).

(ii) The Company and a subsidiary of the Group incorporated in the Cayman Islands and the British Virgin Islands, respectively, are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The PRC subsidiary of the Group is subject to PRC Corporate Income Tax rate of 25% for the year ended 30 June 2012 (2011: 25%).

(iv) The PRC subsidiary of the Group has obtained approval from the tax bureau to be taxed as an enterprise with advance and new technologies. This subsidiary will therefore enjoy a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2010 to 2012.

7 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out below:

	2012				
	Directors' fees HK$'000	**Salaries, allowances and benefits in kind HK$'000**	**Discretionary bonuses HK$'000**	**Retirement scheme contributions HK$'000**	**Total HK$'000**
Executive directors					
Cao Wei	**367**	**–**	**–**	**2**	**369**
Chen Rui	**367**	**808**	**904**	**–**	**2,079**
Non-executive directors					
Tian Zhenqing	**–**	**–**	**–**	**–**	**–**
Steven Bruce GALLAGHER	**30**	**–**	**–**	**–**	**30**
Independent non-executive directors					
Hu Zhaoguang	**–**	**–**	**–**	**–**	**–**
Bai Jinrong	**30**	**–**	**–**	**–**	**30**
Kong Shin Long	**30**	**–**	**–**	**–**	**30**
	824	**808**	**904**	**2**	**2,538**

	2011				
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors					
Cao Wei	235	–	–	–	235
Chen Rui	–	838	1,078	–	1,916
Non-executive directors					
Tian Zhenqing	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–
Independent non-executive directors					
Hu Zhaoguang	–	–	–	–	–
Bai Jinrong	–	–	–	–	–
Kong Shin Long	–	–	–	–	–
	235	838	1,078	–	2,151

7 DIRECTORS' REMUNERATION (CONTINUED)

There were no amounts paid during the year to the directors or any of the five highest paid individuals set out in Note 8 as an inducement to join or upon joining the Group or as compensation for loss of office. Besides Mr. Tian Zhenqing and Mr. Hu Zhaoguang, no other directors waived or agreed to waive any emoluments during the year. Mr. Tian and Mr. Hu waived their directors' fees of HK$30,000 for the year ended 30 June 2012. Mr. Tian and Mr. Hu had no other compensation arrangement with the Company during the year.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (2011: one) is a director whose emoluments are disclosed in Note 7. The aggregate of the emoluments in respect of the other four (2011: four) individuals are as follows:

	2012 **HK$'000**	2011 HK$'000
Salaries, allowances and benefits in kind	**3,075**	2,454
Discretionary bonuses	**491**	656
Retirement scheme contributions	**48**	112
	3,614	3,222

The emoluments of the four (2011: four) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2012	2011
HK$Nil – HK$1,000,000	**2**	4
HK$1,000,001 – HK$1,500,000	**2**	–

9 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$12,744,000 (2011: HK$Nil) which has been dealt with in the financial statements of the Company (see Note 20(a)).

10 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share for the year ended 30 June 2012 is calculated based on the profit attributable to equity shareholders of the Company of HK$80,715,000 and the weighted average of 623,514,584 ordinary shares, comprising:

(i) 8,581 ordinary shares in issue to the Controlling Shareholders of the Company as at the date of the Prospectus and 481,258,946 ordinary shares issued to the Controlling Shareholders pursuant to the capitalisation issue on 16 May 2012, as if the 481,267,527 ordinary shares were outstanding throughout the year ended 30 June 2012;

(ii) An aggregate of 2,117 ordinary shares issued to equity shareholders of the Company other than the Controlling Shareholders on 6 July 2011 and 118,730,356 ordinary shares issued to these equity shareholders pursuant to the capitalisation issue on 16 May 2012, as if the 118,732,473 ordinary shares were outstanding since 6 July 2011; and

(iii) 200,000,000 ordinary shares issued on 16 May 2012 by initial public offering.

The basic earnings per share for the year ended 30 June 2011 is calculated based on the profit attributable to equity shareholders of the Company of HK$40,470,000 and the weighted average of 481,267,527 ordinary shares, comprising 8,581 ordinary shares in issue to the Controlling Shareholders of the Company as at the date of the Prospectus and 481,258,946 ordinary shares issued to the Controlling Shareholders pursuant to the capitalisation issue on 16 May 2012, as if the 481,267,527 ordinary shares were outstanding throughout the year ended 30 June 2011.

The calculation of the outstanding ordinary shares during the years ended 30 June 2012 and 2011 is as follows:

	2012	2011
	'000	'000
Issued ordinary shares at 1 July	**–**	–
Effect of shares issued to the Controlling Shareholders of the Company on 7 January 2011 and 6 July 2011 and the related capitalisation issue on 16 May 2012 *(Note 20(c)(ii) and 20(c)(iv))*	**481,268**	481,268
Effect of shares issued to equity shareholders of the Company other than the Controlling Shareholders on 6 July 2011 and the related capitalisation issue on 16 May 2012 *(Note 20(c)(ii) and 20(c)(iv))*	**117,110**	–
Effect of shares issued by initial public offering on 16 May 2012 *(Note 20(c)(v))*	**25,137**	–
Weighted average number of ordinary shares at 30 June	**623,515**	481,268

(b) Diluted earnings per share

There were no dilutive potential shares outstanding for the years ended 30 June 2012 and 2011.

11 PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold improvements HK$'000	Office equipment, motor vehicles and others HK$'000	Electronic equipment HK$'000	Total HK$'000
Cost:				
At 1 July 2010	109	859	779	1,747
Exchange adjustments	–	38	37	75
Additions	–	41	214	255
At 30 June 2011	109	938	1,030	2,077
Accumulated depreciation:				
At 1 July 2010	4	141	367	512
Exchange adjustments	–	11	22	33
Charge for the year	14	199	226	439
At 30 June 2011	18	351	615	984
Net book value:				
At 30 June 2011	91	587	415	1,093
Cost:				
At 1 July 2011	**109**	**938**	**1,030**	**2,077**
Exchange adjustments	**–**	**17**	**17**	**34**
Additions	**629**	**233**	**219**	**1,081**
At 30 June 2012	**738**	**1,188**	**1,266**	**3,192**
Accumulated depreciation:				
At 1 July 2011	**18**	**351**	**615**	**984**
Exchange adjustments	**–**	**7**	**11**	**18**
Charge for the year	**199**	**248**	**241**	**688**
At 30 June 2012	**217**	**606**	**867**	**1,690**
Net book value:				
At 30 June 2012	**521**	**582**	**399**	**1,502**

12 INTANGIBLE ASSETS

The Group

	Software HK$'000	Golf club membership HK$'000	Total HK$'000
Cost:			
At 1 July 2010	30	–	30
Exchange adjustments	1	–	1
At 30 June 2011	31	–	31
Accumulated amortisation and impairment losses:			
At 1 July 2010	7	–	7
Charge for the year	6	–	6
At 30 June 2011	13	–	13
Carrying amount:			
At 30 June 2011	18	–	18
Cost:			
At 1 July 2011	**31**	**–**	**31**
Exchange adjustments	**(25)**	**–**	**(25)**
Additions	**51,768**	**736**	**52,504**
At 30 June 2012	**51,774**	**736**	**52,510**
Accumulated amortisation and impairment losses:			
At 1 July 2011	**13**	**–**	**13**
Exchange adjustments	**(6)**	**–**	**(6)**
Charge for the year	**12,943**	**–**	**12,943**
At 30 June 2012	**12,950**	**–**	**12,950**
Carrying amount:			
At 30 June 2012	**38,824**	**736**	**39,560**

13 INTEREST IN AN ASSOCIATE

	The Group	
	2012	2011
	HK$'000	HK$'000
Share of net assets	**23,400**	18,572

The following contains the particulars of the Group's associate, which is an unlisted entity:

Name of associate	**Place of establishment**	**Particulars of registered and paid-up capital**	**The Group's effective interest held by a subsidiary**	**Principal activities**
Beijing BII-ERG Transportation Technology Co., Ltd. ("BII ERG") * 北京京投億雅捷交通科技有限公司	The PRC	Renminbi ("RMB") 20,000,000	44%	Transit system software and technology research and development; system integration; provision of technology transfer, training, consulting and services; and sale of developed products

* The English translation of the name is for reference only and the official name of this entity is in Chinese.

Summary financial information on BII ERG, not adjusted for the percentage ownership held by the Group nor unrealised profits and losses resulting from transactions between the Group and BII ERG, is listed below:

	Assets	**Liabilities**	**Equity**	**Revenue**	**Profit**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
30 June 2012	**183,467**	**130,285**	**53,182**	**74,743**	**10,130**
30 June 2011	78,427	36,218	42,209	111,209	30,321

14 INVESTMENT IN A SUBSIDIARY

	The Company	
	2012	2011
	HK$'000	HK$'000
Unlisted shares, at cost	**40,955**	40,955

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	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 a subsidiary	Principal activities
ERG Transit Systems (Beijing) Ltd.* 億雅捷交通系統(北京)有限公司	The PRC	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
ERG Transit Systems (HK) Limited	Hong Kong	HK$10,000	100%	–	100%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies

* The English translation of the name is for reference only and the official name of this entity is in Chinese.

15 INVENTORIES

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Spare parts	**1,554**	685

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Carrying amount of inventories sold	**20,713**	2,177

16 TRADE AND OTHER RECEIVABLES

		The Group		The Company	
	Note	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade receivables	*16(a), (b), (d)*	**135,708**	17,055	**–**	–
Gross amount due from customers for contract work:	*16(c)*				
– third parties		**46,359**	6,665	**–**	–
– an affiliate of an equity shareholder of the Company		**2,062**	474	**–**	–
		48,421	7,139	**–**	–
Amounts due from related parties:	*16(e)*				
– equity shareholders of the Company and their affiliates		**835**	–	**18**	–
– an associate of the Group		**–**	5,065	**–**	–
– subsidiaries		**–**	–	**33,899**	–
		835	5,065	**33,917**	–
Prepayments, deposits and other receivables		**8,494**	3,420	**5,349**	–
		193,458	32,679	**39,266**	–

Except for HK$353,000 (2011: HK$241,000), all of the trade and other receivables are expected to be settled or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2012 HK$'000	2011 HK$'000
Within 1 month	**97,300**	14,770
More than 1 month but less than 3 months	**3,442**	2,285
More than 3 months but less than 6 months	**6,338**	–
More than 6 months	**28,628**	–
	135,708	17,055

The Group's credit policy is set out in Note 22(a).

16 TRADE AND OTHER RECEIVABLES (CONTINUED)

(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:

	The Group	
	2012	2011
	HK$'000	HK$'000
Current	**353**	241
Less than 1 month past due	**97,261**	14,770
1 to 3 months past due	**3,387**	2,044
3 to 6 months past due	**6,320**	–
More than 6 months past due	**28,387**	–
	135,708	17,055

Given the nature of the Group's business, except for 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 30 June 2012, 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$71,809,000 (2011: HK$24,194,000).

(d) Retention receivables

At 30 June 2012, included in trade receivables are retention receivables in respect of project contracts of HK$353,000 (2011: HK$241,000).

(e) Amounts due from related parties

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

17 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**203,196**	33,021	**166,449**	1

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

18 TRADE AND OTHER PAYABLES

		The Group		The Company	
	Note	**2012 HK$'000**	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade payables:	*18(a)*				
– third parties		**24,821**	1,741	**–**	–
– an associate of the Group		**53,992**	7,996	**–**	–
– affiliates of an equity shareholder of the Company		**6,743**	–	**–**	–
		85,556	9,737	**–**	–
Amounts due to related parties:	*18(b)*				
– equity shareholders of the Company		**–**	9,377	**–**	–
– a subsidiary		**–**	–	**250**	–
		–	9,377	**250**	–
Other taxes payables		**18,139**	1,192	**–**	–
Accrued expenses and other payables		**2,358**	1,810	**721**	–
Financial liabilities measured at amortised cost		**106,053**	22,116	**971**	–
Capital contribution from an investor received in advance	*18(c)*	**–**	22,855	**–**	–
		106,053	44,971	**971**	–

At 30 June 2012, all of the trade and other payables are repayable within one year or on demand.

(a) Ageing analysis

Included in trade payables are creditors with the following ageing analysis as of the end of the reporting period:

	The Group	
	2012 HK$'000	2011 HK$'000
Due within 1 month or on demand	**85,556**	9,737

(b) Amounts due to related parties

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

(c) Capital contribution from an investor received in advance

The amount represented capital contribution received in advance from an equity shareholder of the Company. The capital contribution was completed on 6 July 2011 (see Note 20(c)(ii)).

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2012	2011
	HK$'000	HK$'000
Income tax payable at 1 July	**194**	209
Provision for income tax on the estimated taxable profits for the year *(Note 6(a))*	**20,373**	5,342
Income tax paid during the year	**(1,853)**	(5,357)
Income tax payable at 30 June	**18,714**	194

(b) Deferred tax assets recognised:

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

The Group

Deferred tax arising from:	**Amortisation and depreciation expenses in excess of the tax allowances** HK$'000
At 1 July 2010	61
Charged to the consolidated income statement *(Note 6(a))*	(8)
At 30 June 2011	**53**
Credited to the consolidated income statement *(Note 6(a))*	**1,858**
At 30 June 2012	**1,911**

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(p), the Group has not recognised deferred tax assets in respect of unused tax losses of HK$18,694,000 (2011: HK$Nil) at 30 June 2012, as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

(d) Deferred tax liabilities not recognised

At 30 June 2012, temporary differences relating to the retained profits of the Group's PRC subsidiary amounted to HK$98,949,000 (2011: HK$15,646,000) 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 this subsidiary and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

20 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(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$'000 *(Note 20(c))*	Share premium HK$'000 *(Note 20(d))*	Capital reserve HK$'000 *(Note 20(e))*	Accumulated losses HK$'000	Total HK$'000
At 7 January 2011 (date of incorporation)	–	–	–	–	–
Changes in equity for 2011:					
Issuance of shares *(Note 20(c)(ii))*	1	–	–	–	1
Contributions from equity shareholders of the Company arising from the Reorganisation	–	–	40,955	–	40,955
	1	–	40,955	–	40,956
At 30 June 2011	1	–	40,955	–	40,956
At 1 July 2011	1	–	40,955	–	40,956
Changes in equity for 2012:					
Total comprehensive income	**–**	**–**	**–**	**(12,744)**	**(12,744)**
Issuance of shares *(Note 20(c)(ii))*	**82**	**42,350**	**–**	**–**	**42,432**
Cancellation of original issued shares and re-issuance of new shares *(Note 20(c)(iii))*	**(83)**	**83**	**–**	**–**	**–**
Capitalisation issue *(Note 20(c)(iv))*	**6,000**	**(6,000)**	**–**	**–**	**–**
Issuance of shares by initial public offering *(Note 20(c)(v))*	**2,000**	**198,000**	**–**	**–**	**200,000**
Share issuance expenses *(Note 20(c)(v))*	**–**	**(24,945)**	**–**	**–**	**(24,945)**
	7,999	**209,488**	**–**	**(12,744)**	**204,743**
At 30 June 2012	**8,000**	**209,488**	**40,955**	**(12,744)**	**245,699**

20 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(b) Dividends/distributions

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

	2012 **HK$'000**
Final dividend proposed after the end of the reporting period of HK$0.025 per ordinary share	**20,000**

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) Distributions to equity shareholders of the Company attributable to the previous financial year

Distributions to the equity shareholders of the Company prior to the listing of the Company on the Stock Exchange of HK$23,448,000 were approved during the year ended 30 June 2011.

(c) Share capital

		2012		2011	
	Note	**Number of shares**	**HK$'000**	Number of shares	HK$'000
Authorised:					
Ordinary shares of HK$0.01 each (2011: US$1 each)	*(i)*	**2,000,000,000**	**20,000**	50,000	389
Issued and fully paid:					
At 1 July	*(ii)*	**100**	**1**	–	–
Issuance of shares on incorporation	*(ii)*	**–**	**–**	100	1
Issuance of shares on 6 July 2011	*(ii)*	**10,598**	**82**	–	–
Cancellation of original issued shares on 25 November 2011	*(iii)*	**(10,698)**	**(83)**	–	–
Re-issuance of shares on 25 November 2011	*(iii)*	**10,698**	**–**	–	–
Capitalisation issue	*(iv)*	**599,989,302**	**6,000**	–	–
Issuance of shares by initial public offering	*(v)*	**200,000,000**	**2,000**	–	–
At 30 June		**800,000,000**	**8,000**	100	1

Notes:

(i) Authorised share capital

On 7 January 2011, the Company's date of incorporation, the Company's authorised share capital was US$100, comprising 100 ordinary shares of US$1 each.

Pursuant to a written resolution passed on 1 June 2011, the authorised share capital of the Company was increased to US$50,000 (equivalent to approximately HK$389,000) divided into 50,000 shares of US$1 each.

On 25 November 2011, the then equity shareholders of the Company resolved to cancel the above 50,000 authorised shares of US$1 each and revised the authorised share capital to HK$20,000,000 by the creation of 2,000,000,000 shares with par value of HK$0.01 each.

20 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(c) Share capital (continued)

Notes: (continued)

(ii) Issuance of shares

On 7 January 2011, the Company issued 100 ordinary shares with par value of US$1 each, and the shares issued have been fully paid up.

Pursuant to the approval by the board of directors on 6 July 2011, the Company issued 8,481 shares with par value of US$1 each. The amount was fully paid up.

Pursuant to a share subscription agreement signed between the Company and Guotai Junan (Hong Kong) Limited ("Guotai Junan") on 31 May 2011, Guotai Junan agreed to subscribe for 698 ordinary shares of the Company at a consideration of HK$22,855,000. On 6 July 2011, 698 shares with par value of US$1 each were issued to Guotai Junan accordingly. Upon completion of the above share subscription, the proceeds of HK$5,400 (equivalent to approximately US$698), representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$22,849,600 were credited to the Company's share premium account.

Pursuant to a share subscription agreement and a supplemental agreement signed between the Company and Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK") on 23 May 2011 and 6 July 2011 respectively, BII HK agreed to subscribe for 1,419 ordinary shares of the Company at a consideration of HK$19,511,300. On 6 July 2011, 1,419 shares with par value of US$1 each were issued to BII HK accordingly. Upon completion of the above share subscription, the proceeds of HK$11,000 (equivalent to approximately US$1,419), representing the par value, were credited to the Company's share capital. The remaining proceeds of HK$19,500,300 were credited to the Company's share premium account.

(iii) Cancellation of original issued shares and re-issuance of new shares on 25 November 2011

Upon the revision made to the Company's authorised share capital (see Note 20(c)(i)) and pursuant to written resolutions passed on 25 November 2011, the then existing 10,698 ordinary shares of par value of US$1 each were cancelled by the Company, and the Company re-issued 10,698 shares with par value of HK$0.01 each to the equity shareholders in proportion of one share for each ordinary share of US$1 held.

(iv) Capitalisation issue

Pursuant to the resolution passed by the equity shareholders of the Company on 8 December 2011 and upon the listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange on 16 May 2012, an amount of HK$5,999,893 standing to the credit of the share premium account was applied in paying up in full 599,989,302 ordinary shares of HK$0.01 each which were allotted and distributed as fully paid to equity shareholders whose names appeared on the register of members of the Company at the close of business on 8 December 2011 in proportion to their then shareholdings in the Company.

(v) Issuance of shares by initial public offering

On 16 May 2012, 200,000,000 ordinary shares of HK$0.01 each were issued and offered for subscription at a price of HK$1.00 each upon the listing of the shares of the Company on the Growth Enterprise Market of the Stock Exchange. The proceeds of HK$2,000,000, representing the par value, were credited to the Company's share capital. The remaining proceeds of approximately HK$198,000,000 and the share issuance expenses of HK$24,945,000 were credited and debited, respectively, to the share premium account.

20 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(d) 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.

(e) Capital reserve

The capital reserve represents the difference between the carrying values of the controlling equity interests in subsidiaries acquired and the considerations paid under the Reorganisation.

(f) Statutory reserves

In accordance with the articles of association of the PRC subsidiary of the Group, the PRC subsidiary was 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 PRC subsidiary. The statutory reserves can only be utilised for predetermined means upon approval by the relevant authority.

(g) 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(s).

(h) Distributable reserves

At 30 June 2012, the aggregate amount of reserves (including the Company's retained earnings, if any, and share premium) available for distribution to equity shareholders of the Company is HK$209,488,000 (2011: HK$Nil). After the end of the reporting period, the directors of the Company proposed the payment of a final dividend of HK$0.025 per ordinary share for the year ended 30 June 2012 (see Note 20(b)(i)). The dividend has not been recognised as a liability at the end of the reporting period.

(i) 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.

20 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(i) Capital management (continued)

During the year ended 30 June 2012, the Group's strategy was to lower the adjusted debt-to-capital ratio via the successful listing of the Company's shares on the Growth Enterprise Market of the Stock Exchange on 16 May 2012. 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 Group	
	2012 **HK$'000**	2011 HK$'000
Trade and other payables	**106,053**	44,971
Add: proposed dividends	**20,000**	–
Adjusted debt	**126,053**	44,971
Total equity	**339,814**	40,956
Less: proposed dividends	**(20,000)**	–
Adjusted capital	**319,814**	40,956
Adjusted debt-to-capital ratio	**39%**	110%

	The Company	
	2012 **HK$'000**	2011 HK$'000
Accrued expenses	**971**	–
Add: proposed dividends	**20,000**	–
Adjusted debt	**20,971**	–
Total equity	**245,699**	40,956
Less: proposed dividends	**(20,000)**	–
Adjusted capital	**225,699**	40,956
Adjusted debt-to-capital ratio	**9%**	–

21 OPERATING LEASE COMMITMENTS

At 30 June 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2012 **HK$'000**	2011 HK$'000
Within 1 year	**2,472**	285
After 1 year but within 5 years	**4,009**	–
	6,481	285

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 lease when all terms are renegotiated. None of the leases includes contingent lease rentals.

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

Exposure to credit, liquidity, interest rate and currency risks arise 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. Management has a credit policy in place and the exposures 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 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 or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 30 June 2012, 27% of the trade receivables were due from the Group's largest debtor (2011: 89%), and 89% of the trade receivables were due from the Group's five largest debtors (2011: 96%).

The maximum exposure to credit risk without taking into account of any collateral held is represented by the carrying amount of each financial asset in the consolidated statement of financial position after deducting any impairment allowance. The Group does not provide any other guarantees which would expose the Group or the Company to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in Note 16.

(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 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 (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest dates the Group can be required to pay:

The Group

	2012		2011	
	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	**106,053**	**106,053**	22,116	22,116

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk (continued)

The Company

	2012		2011	
	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
Accrued expenses	**971**	**971**	–	–

(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 30 June 2012 and 2011.

(d) Foreign currency exchange risk

For presentation purposes, the Group and the Company's financial statements are shown in Hong Kong dollars. The companies within the Group, whose functional currencies are different from Hong Kong dollars, have translated their financial statements into Hong Kong dollars for consolidation purpose. At 30 June 2012 and 2011, all companies within the Group have no significant financial instruments that were denominated in a currency other than the respective functional currencies in which they were measured.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2012 and 2011.

23 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

	2012 HK$'000	2011 HK$'000
Provision of design and implementation of application solution services	**4,227**	4,094
Technical service costs	**189**	–
Software development costs	**8,090**	–
Net increase in advances granted	**835**	–
Net (decrease)/increase in advances received	**(9,377)**	9,377

23 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with an associate of the Group

	2012 HK$'000	2011 HK$'000
Technical service costs	**2,376**	7,810
Software development costs	**49,558**	–
Net (decrease)/increase in advances granted	**(5,065)**	5,065

(c) Transactions with subsidiaries of the Group

	2012 HK$'000	2011 HK$'000
Net increase in advances granted	**33,899**	–
Net increase in advances received	**250**	–

(d) 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 7 and certain of the highest paid employees of the Group as disclosed in Note 8, is as follows:

	2012 HK$'000	2011 HK$'000
Short-term employee benefits	**5,687**	3,616
Retirement scheme contributions	**39**	12
	5,726	3,628

Total remuneration is included in "staff costs" (see Note 5(a)).

24 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Share options granted

The Company has a share option scheme which was adopted on 8 December 2011 whereby the directors of the Company are authorised, at their discretion, to invite directors, chief executive, their respective associates, and other employees of the Group (the "Grantees") to take up options at HK$1 as consideration to subscribe for shares of the Company.

On 26 July 2012, the Company granted 40,000,000 share options to the Grantees to subscribe for ordinary shares of HK$0.01 each of the Company under the above share option scheme. At the end of the acceptance period on 15 August 2012, only 39,200,000 share options were taken up by the Grantees.

For the options granted to and accepted by the Grantees, 20% will vest after one year from the date of grant, another 50% will vest after two years from the date of grant, and the remaining 30% will vest after three years from the date of grant. The options will lapse on 25 July 2017. The exercise price of the share option is HK$0.656. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(b) Dividend proposed

The directors of the Company proposed a final dividend after the end of the reporting period. Further details are disclosed in Note 20(b)(i).

(Expressed in HK$ unless otherwise indicated)

25 COMPARATIVE FIGURES

As a result of a revision made to the presentation of reportable segments as detailed in Note 4(b) and reclassification of items disclosed in Note 16 and 18, certain comparative figures have been adjusted to conform to current year's presentation and/or to provide comparative amounts in respect of items disclosed for the first time in 2012.

26 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 30 June 2012 to be ERG Transportation Greater China Company Limited and More Legend Limited, respectively, which are both incorporated in the British Virgin Islands. These entities do not produce financial statements available for public use.

27 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2012

As at the date of these financial statements, the IASB has issued the following new standards, amendments to standards and interpretations which are not yet effective for the year ended 30 June 2012 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 11, *Joint arrangements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements (2011)*	1 January 2013
IAS 28, *Investments in associates and joint ventures (2011)*	1 January 2013
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Government loans*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IFRS 10, *Consolidated financial statements*, IFRS 11, *Joint arrangements* and IFRS 12, *Disclosure of interest in other entities – Transition guidance*	1 January 2013
Revised IAS 19, *Employee benefits*	1 January 2013
IFRIC 20, *Stripping costs in the production phase of a surface mine*	1 January 2013
Annual Improvements to IFRSs – 2009-2011 Cycle	1 January 2013
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments (2009)*	1 January 2015
IFRS 9, *Financial instruments (2010)*	1 January 2015
Amendments to IFRS 9, *Financial instruments* and IFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Group is in the process of making an assessment of what the impact of the new standards, amendments to standards and interpretations is expected to be in the period of initial application. None of them is expected to have a significant effect on the Group's results of operation and financial position.

中國城市軌道交通科技控股
CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

中國城市軌道交通科技控股有限公司
China City Railway Transportation Technology Holdings Company Limited