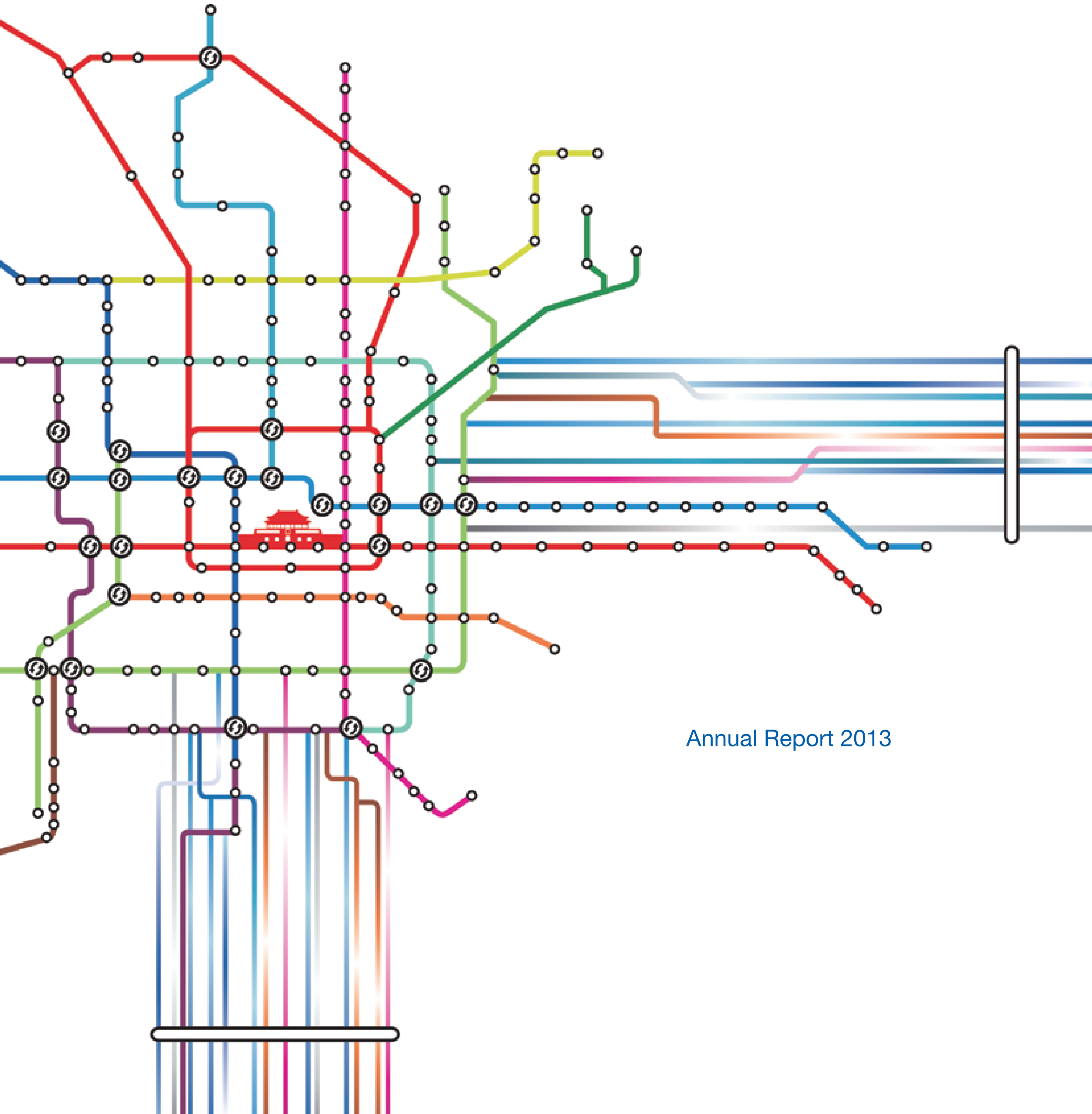
中國城市軌道交通科技控股

CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

China City Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8240



Annual Report 2013

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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

Contents

Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTORS

Dr. Tian Zhenqing *(Chairman)*
Mr. Hao Weiya (appointed on 6 August 2013)
Mr. Steven Bruce Gallagher

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hu Zhaoguang
Mr. Bai Jinrong
Mr. Luo Zhenbang *CPA* (appointed on 13 November 2012)
Dr. Kong Shin Long, Johnny *CPA* (retired on 13 November 2012)

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

Mr. Luo Zhenbang *CPA (Chairman)*
(appointed on 13 November 2012)
Mr. Hu Zhaoguang
Mr. Bai Jinrong
Dr. Kong Shin Long, Johnny *CPA* (retired on 13 November 2012)

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

Chiu & Partners

PRINCIPAL BANKERS

The Hong Kong and Shanghai Banking Corporation Limited

REGISTERED OFFICE

Floor 4, Willow House
Cricket Square, PO Box 2804
Grand Cayman, KY1-1112
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

Royal Bank of Canada Trust Company (Cayman) Limited
4th Floor, Royal Bank House
24 Shedden Road, George Town
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

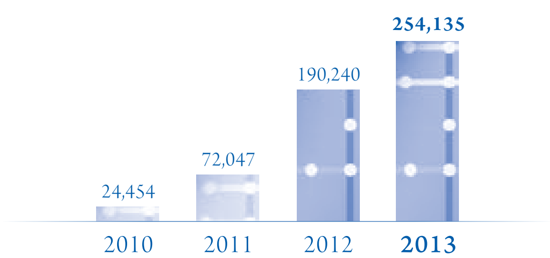
Financial Highlights

For the year ended 30 June	2013	2012	2011	2010
Key Profit or Loss Items (HK$ Thousand)				
Revenue	**254,135**	190,240	72,047	24,454
Gross profit	**98,143**	133,837	44,803	12,034
Gross margin	**38.6%**	70.4%	62.2%	49.2%
Profit attributable to equity shareholders of the Company	**59,042**	80,715	40,470	4,948
Net margin	**23.2%**	42.4%	56.2%	20.2%

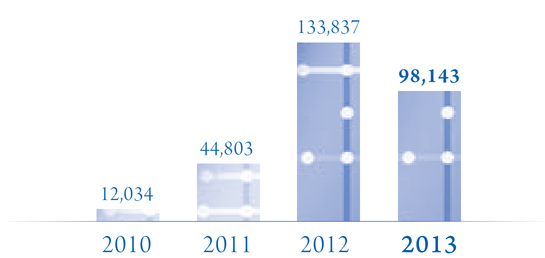
As at 30 June	2013	2012	2011	2010
Key Statement of Financial Position Items (HK$ Thousand)				
Non-current assets	**133,303**	66,373	19,736	10,829
Current assets	**559,275**	398,208	66,385	12,906
Total liabilities	**203,226**	124,767	45,165	1,610
Equity attributable to equity shareholders of the Company	**483,255**	339,814	40,956	22,125
Net gearing	**–**	–	37.4%	–

Financial Year	2013	2012	2011	2010
Return to shareholders				
Return on equity	**12.2%**	23.8%	98.8%	22.4%
Earnings per share				
– Basic (HK$ cent)	**7.4**	12.9	8.4	n.a.*
– Diluted (HK$ cent)	**7.3**	n/a	n/a	n.a.*

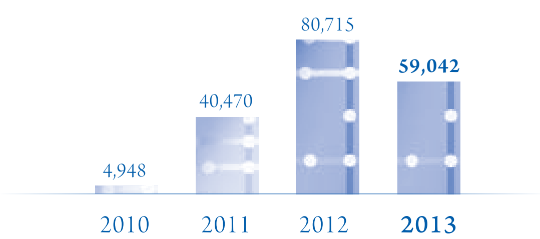
Revenue (HK$ Thousand)



Gross Profit (HK$ Thousand)



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



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

Chairman's Statement

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 2013.

Tian Zhenqing, *Chairman*

RESULTS

For the year ended 30 June 2013, the Group recorded revenue of approximately HK$254.1 million (2012: approximately HK$190.2 million) and profit attributable to equity shareholders of the Company amounted to approximately HK$59.0 million (2012: approximately HK$80.7 million).

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 30 June 2013 (2012: HK2.5 cents). The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

BUSINESS OVERVIEW

On 28 June 2013, through the acquisition of Innovation Holdings Co., Ltd., (a company incorporated in the British Virgin Islands with limited liability on 2 January 2013, and a wholly-owned subsidiary of Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司) ("**BII HK**") which held 46% equity interest in Beijing BII-ERG Transportation Technology Co. Ltd. (北京京投億雅捷交通科技有限公司) ("**BII ERG**"), the Group completed the acquisition of 46% equity interest in BII ERG, increasing the Group's equity interest in BII ERG to 90%.

Prior to the acquisition, BII ERG was an associate of the Group, and also one of the sub-contractors of the Group. Incorporated on 10 September 2009, BII ERG's business scope covers transport system software research and development, traffic network technology development, system integration, technology transfer, technical consultation, technical services, computer technology training and sales of self-developed products. BII ERG is a national-level high-tech enterprise, and has qualifications for both national-level software enterprise certification and software products manufacturing certification (also known as "dual software enterprise certifications").

The Group has been providing software and application solutions for hardware of public transport system at network-level, while BII ERG is principally engaged in the provision of application solutions and products for subsystems of public transport system at line-level. The acquisition of BII ERG can enhance the Group's overall capabilities in designing and providing application solutions both at line-level and network-level; integrate the systems at these two levels more efficiently and ensure their compatibility, and also maintain and manage these systems more efficiently and improve their competitiveness, so that the Group will be able to provide our existing customers with better and wider range of services; and extend our business to both network-level and line-level to provide more diversified services.

In addition, BII ERG has established its customer base in Changchun, and has been authorised by the operators of Changchun public transport system to undertake a number of contracts at line-level in relation to the provision of application solutions or products. The completion of the acquisition also expanded the Group's business coverage to regions outside Beijing and Hong Kong, and the Group is therefore able to exploit other markets more effectively.

For the year ended 30 June 2013, the Group's business is still concentrated in the following fields: (i) design and implementation of application solutions for public transport system; (ii) maintenance of application solutions; (iii) sales of application solution software; and (iv) sales of application solutions related hardware and spare parts.

For the year ended 30 June 2013, the Group's revenue recorded significant growth, mainly attributable to ERG Transit Systems (Beijing) Ltd. (億雅捷交通系統(北京)有限公司) ("**ERG BJ**"), a subsidiary of the Group, successfully winning the tenders in certain construction projects of Phase II of the railway transport command centre of Beijing Subway with total contract sum of approximately RMB163,000,000, thus maintaining the Group's higher market share in the network-level of Beijing railway transportation. With the completion of more innovative designs and implementation of application solutions, ERG BJ recorded substantial increase in income from maintenance of application solutions. However, costs incurred during the same period also increased accordingly, and the increment was relatively large. This is mainly due to projects successfully won by the Group have changed from software-oriented projects to integrated projects putting equal weighting in hardware and software, and this is a consequence of the changes in the nature of major tender projects of Beijing in the 2013 financial year. Generally speaking, integrated projects have lower gross profit margin, and this explains why our profit decreased despite the significant growth in income of the Group.

PROSPECTS

With the rapid economic development and population increase in China, the government of the People's Republic of China ("**PRC**") will vigorously develop urban public transport systems. Of which, urban railway construction, the most efficient and the best way to relieve urban traffic issues, 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, while urban railway transport mileage in the PRC will increase by 2,800 km, reaching 4,185 km in total. In order to achieve its target of 660 km with 29 routes, Beijing plans to complete the construction of 324 km by the end of 2015, with 15 routes under construction. Planned investment is expected to amount to approximately RMB162 billion.

Adhering to the principle of "innovation, pragmatism and integrity" and to take building intelligent and professional railway transportation system as its duty, the Group, being one of the major suppliers of Beijing railway transportation system, will endeavour to provide systematic and professional support based on project enhancement and technology research and development ("R&D"), to the network operation of Beijing railway transportation. The Group is committed to serving the railway transportation industry in the long run and expects to bring its extensive experience obtained in Beijing, its operation models and products to China's second-tier cities through business development.

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, 24 September 2013

Management Discussion and Analysis

OPERATION REVIEW

During the year under review, our business operations remained 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 software; and 4) the sales of application solution related hardware and spare parts. The operating revenue of the Group for the year ended 30 June 2013 recorded a year-on-year increase of approximately 33.6% to approximately HK$254.1 million.

PROVISION OF DESIGN AND IMPLEMENTATION OF APPLICATION SOLUTION SERVICES

Design and implementation of application solution services mainly represent, among others, the design, testing, installation, debugging, integration, upgrading and replacement of railway transportation application solution and associated systems.

For the year ended 30 June 2013, revenue arising from the provision of design and implementation of application solution services increased by approximately 91.0% from approximately HK$49.9 million for the year ended 30 June 2012 to approximately HK$95.3 million. Such increase was mainly attributable to the winning of the projects in relation to i) the construction of the phase II project regarding the railway transport command centre for Beijing Subway (the "**TCC Phase II Project**") including (a) setting up of the information control centre system for Beijing Subway; (b) expanding the capacity of the existing automated fare collection clearing centre system (the "**ACC System**") and traffic control centre system (the "**TCC System**") of Beijing Subway; and (c) providing system software and related technical services to the testing and inspection centre of the automated fare collection system of Beijing Subway; ii) the replacement of gate electronics for MTR Corporation Limited East Railway Line (the "**East Railway Gate Electronics Replacement Project**"); and iii) the upgrade of the passenger information system ("**PIS**") for Line 5 of the Beijing Subway and the integration of the video signal for Line 6, Line 8, Line 9 and Line 10 of the Beijing Subway (the "**PIS Upgrade Project**").

PROVISION OF MAINTENANCE OF APPLICATION SOLUTION SERVICES

Maintenance of application solution services mainly represent, among others, repair and maintenance of application solution systems developed by the Group as well as other software developers.

For the year ended 30 June 2013, revenue arising from the provision of maintenance of application solution services increased by approximately 120.3% from approximately HK$29.1 million for the year ended 30 June 2012 to approximately HK$64.1 million. Such increase was mainly attributable to the significant increase in revenue from maintenance services undertaken by ERG BJ following completion of more new design and implementation of application solutions, including the TCC Phase II Project.

SALES OF APPLICATION SOLUTION SOFTWARE

Sales of application solution software mainly represent, among others, the sales of self-developed railway transportation application solution software products.

For the year ended 30 June 2013, revenue arising from the sales of application solution software decreased by approximately 84.0% from approximately HK$70.7 million for the year ended 30 June 2012 to approximately HK$11.3 million. Such decrease was primarily due to the software products we sold in financial year 2012 were not yet due for replacement or upgrade and were still in use by our customers. In addition, in order to fine-tune the pace of subway development in Beijing, throughout the financial year 2013, the general demand for railway transportation software products in Beijing decreased as a result of the slowdown in construction projects of Beijing Subway as compared with previous years. However, it is envisaged that the subway construction in Beijing will regain momentum gradually.

SALES OF APPLICATION SOLUTION RELATED HARDWARE AND SPARE PARTS

Sales of application solution related hardware and spare parts mainly represent, among others, the sales of railway transportation application solution systems related hardware and spare parts.

For the year ended 30 June 2013, revenue arising from the sales of application solution related hardware and spare parts increased by approximately 106.2% from approximately HK$40.5 million for the year ended 30 June 2012 to approximately HK$83.5 million. Such increase was primarily attributable to the sales of hardware and spare parts in relation to the TCC Phase II Project.

FINANCIAL REVIEW

REVENUE

The Group's revenue increased by approximately 33.6% from approximately HK$190.2 million for the year ended 30 June 2012 to approximately HK$254.1 million for the year ended 30 June 2013. The increase was mainly attributable to the increase in revenue arising from the provision of design and implementation of application solution services, provision of maintenance of application solution services and sales of application solution related hardware and spare parts. Details regarding the changes in revenue are set out in the section headed "Operation Review" on page 6.

COST OF SALES

The Group's cost of sales increased by approximately 176.6% from approximately HK$56.4 million for the year ended 30 June 2012 to approximately HK$156.0 million for the year ended 30 June 2013. The increase was mainly attributable to the increase in i) the hardware procurement costs incurred largely for the execution of the TCC Phase II Project and the East Railway Gate Electronics Replacement Project; and ii) the increase in subcontracting fees arising mainly from the execution of the TCC Phase II Project and the the ACC System and TCC System integration project for Beijing Subway ("**ACC/TCC Integration Project**").

GROSS PROFIT

The Group's gross profit decreased by approximately 26.7% from approximately HK$133.8 million for the year ended 30 June 2012 to approximately HK$98.1 million for the year ended 30 June 2013. The decrease was mainly attributable to the difference in the main scope of work with respect to the major projects the Group undertook during this financial year as compared to the last financial year.

For the year ended 30 June 2013, the Group's major source of revenue, including the TCC Phase II Project and the East Railway Gate Electronics Replacement Project, were more hardware related. The related major cost drivers for these kinds of work were mainly hardware procurement costs that were fundamentally costly, thus increased the cost of sales for the year ended 30 June 2013 and resulted in the reduction of gross profit. Besides, gross profit was also reduced resulting from the increased subcontracting fees arising from the ACC/TCC Integration Project. While for the year ended 30 June 2012, the Group's major source of income were derived from the sales of application solution products and application solution software design that were relatively more labour oriented. The related major cost drivers for these kinds of work were mainly labour costs that were relatively less costly, therefore the cost of sales for the year ended 30 June 2012 were much lower which resulted in higher gross profit.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Group's selling, general and administrative expenses increased by approximately 14.1% from approximately HK$29.7 million for the year ended 30 June 2012 to approximately HK$33.9 million for the year ended 30 June 2013. Eliminating the effect of the one-off listing expenses incurred for the year ended 30 June 2012, the increase was mainly attributable to i) rise in staff costs due to annual salary review and recruitment of additional workforce to enhance our service team; ii) increase in director fees (director fees only incurred since 16 May 2012, the date of listing of the Company, therefore only approximately 1.5 months' director fees were recorded in previous financial year, while for the year ended 30 June 2013, director fees for the whole year were recorded); and iii) increase in marketing expenses for business development.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The Group's profit attributable to equity shareholders of the Company decreased by approximately 26.9% from approximately HK$80.7 million for the year ended 30 June 2012 to approximately HK$59.0 million for the year ended 30 June 2013. The decrease was mainly attributable to the decrease of gross profit.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 30 June 2013, the Company's total number of issued shares was 954,192,094 ordinary shares of HK$0.01 each (2012: 800,000,000 ordinary shares of HK$0.01 each). Details of the changes in the share capital and capital risk management of the Company during the year are set out in Note 23 to the financial statements.

Cash position

As at 30 June 2013, the Group's cash and bank balances were approximately HK$207.2 million (2012: approximately HK$203.2 million).

Bank borrowing and charges on the Group's assets

As at 30 June 2013, the Group has no bank borrowings and charges on assets.

Working capital and gearing ratio

As at 30 June 2013, the Group had current assets of approximately HK$559.3 million (2012: approximately HK$398.2 million), while its current liabilities was approximately HK$198.1 million (2012: approximately HK$124.8 million), resulting a net current assets of approximately HK$361.2 million (2012: approximately HK$273.4 million).

Gearing ratio is calculated based on total debt at the end of the year divided by total assets at the end of the year multiplied by 100%. As at 30 June 2013, as the Group was at a net cash position without any bank borrowings, long term debts or payables incurred not in the ordinary course of business, the gearing ratio was Nil (2012: Nil).

FOREIGN EXCHANGE EXPOSURE

The Group has four main operating subsidiaries, one located in Hong Kong and three in the PRC; all of the 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 2013, 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

On 9 January 2013, the Company set up a new indirect wholly-owned subsidiary in the PRC, 北京京投卓越科技發展有限公司 (Beijing BII Technology Development Co., Ltd.*), a wholly foreign-owned enterprise with the registered capital of RMB100 million and total investment of RMB240 million to engage in investment holding activities.

On 5 February 2013, an indirect wholly-owned subsidiary of the Company ERG BJ transferred its 44% equity interests in BII ERG to another indirect wholly-owned subsidiary Beijing City Railway Holdings Company Limited.

As disclosed in the announcement of the Company dated 28 June 2013, on 28 June 2013, the Company had completed the acquisition of the entire issued share capital of Innovation Holding Co., LTD. ("**Innovation**"), a holder of 46% of the equity interests in BII ERG. Following the completion of the acquisition of Innovation, the Company indirectly held 90% of the equity interests in BII ERG and BII ERG became a subsidiary of the Company. Details of the acquisition can be found in the circular of the Company dated 7 June 2013.

Save as disclosed, there were no significant investments held, material acquisition or disposal of subsidiaries and affiliated companies during the year ended 30 June 2013. Save for the business plan as disclosed in the Company's prospectus dated 3 May 2012 ("**Prospectus**"), there is no other plan for material investments or capital assets as at 30 June 2013.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2013, the Group employed a total of 190 (2012: 66) employees. The staff costs, including Directors' remuneration, were approximately HK$28.1 million (2012: HK$21.4 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.

DIVIDEND

The Board did not recommend the payment of any dividend for the year ended 30 June 2013 (2012: HK2.5 cents). The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

BUSINESS OUTLOOK

For the year ending 30 June 2014, according to the 12th Five-Year Plan of Beijing, it is expected that three or four new railway lines will be integrated into 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 railway transportation at network-level and line-level, including but not limited to MLC project in Beijing undertaken by Beijing MTR Corporation Limited, reconstruction of AFC system for Beijing Subway, construction of AFC system for new lines, construction project of subway platform doors, construction and reconstruction of PIS system etc, generating more market opportunities for us than in financial year 2013.

Meanwhile, the Group is also committed to expanding various types of self-developed products. Apart from the system software catering for the railway network, we will continue to invest manpower and resources to develop the system software for city public transport system at the line level, and accelerate the progress of commercialisation, thus achieving a diversified development. We believe that commercialisation in each professional field (including AFC and PIS) shall focus on the promotion of standardisation. On one hand, we aim to develop core software and hardware products for that professional field, so as to gradually transform our business model from project-oriented to product-oriented. On the other hand, we shall proactively participate in the maintenance work of each professional field, so as to acquire more accurate and detailed information in relation to the requirements of operation and product demand, and thus provide guidance for our R&D work and to form a business direction focusing on operational maintenance and technical services. For example, the repair, maintenance and upgrading of AFC system, standardisation of PIS system, construction of PCC system, and to focus on the construction of multi-line centers and the sales of standardised products.

While we are implementing our long term goal towards commercialising and standardising application solutions for the industry, we will continue to build on our industry experience, expand our customer base and consolidate our market position in Beijing and in the PRC and continue to put more effort 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 Group will be open to more merger and acquisition opportunities of related businesses; and will continue to enhance our expertise and knowhow for the development of new products, thus realising the diversification and standardisation of our products. The Group will also continue our research and development of new system solutions, so as to enhance our reputation and increase the 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 2013. 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 2013 as set out in the Prospectus	Actual business progress up to 30 June 2013
Expand our business	
• Acquisition of/investment in TCC System application solutions provider(s)	The Group is in the process of exploring appropriate investment opportunities
• Acquisition of/investment in entity(ies) which is/are principally engaged in the design and manufacture of card readers	The Group is in the process of exploring appropriate investment opportunities. During the year, the Group had increased its stake in its former associated company, BII ERG, an application solution company in the PRC that had engaged in the design of card reader, from 44% to 90%
• Acquisition of/investment in application solution company(ies) in the PRC	The Group is in the process of exploring appropriate investment opportunities. However, during the year, the Group had increased its stake in its former associated company, BII ERG, an application solution company in the PRC, from 44% to 90%
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 five of them have obtained Computer Software Copyright Registration Certificates from the National Copyright Administration of the PRC. These products include data processing software, communication management software, integrated monitoring and control software, system assessment platform and IC card metering system software for waste disposal facilities
• Participation in the construction of Phase II of the TCC System of Beijing Subway	The Group has won the tender for the construction of Phase II of the TCC System of Beijing Subway and the work is in progress
Enhancing our reputation	
• Development of application solutions for the PCC system	The Group is in the process of developing the PCC system
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 number of industry related exhibition and marketing activities to exchange market intelligence with fellow business counterparts and promote our business to potential customers

USE OF PROCEEDS

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.

During the period from 16 May 2012 ("**Listing Date**") to 30 June 2013, the net proceeds from the Global Offering 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 2013 HK$ million	Actual use of proceeds from the Listing Date to 30 June 2013 HK$ million
Expand our business	**70.0**	–
Enhance our expertise and technical know-how on development of new application solutions	**19.3**	19.3
Enhancing our reputation	**19.3**	5.8
Enhancing our customer base	**3.7**	3.7
Working capital	**9.2**	9.2
	121.5	38.0

Note: Actual use of proceeds was lower as compared to the adjusted net proceeds was mainly due to the Group was still in search of appropriate investment opportunities to expand its business, therefore, the proceeds planned for such usage had not yet utilised.

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 50, is our Chief Executive officer and executive Director. Mr. Cao 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 the sole director of More Legend Limited ("**More Legend**") and is indirectly interested in the shares of the Company through his 75% equity interest in More Legend. More Legend is the owner of approximately 28.24% of the issued share capital of the Company. The substance of Mr. Cao's responsibilities and contribution to the business of our Group was demonstrated through his shareholding and directorship in More Legend. Mr. Cao has over 15 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, our Group was able to participate in various projects relating to the ACC System. Mr. Cao has been serving as director of ERG BJ and ERG HK since his appointment in May 2011 and April 2010, respectively. Mr. Cao had been a director and the general manager of Beijing Enterprises Teletron Information Technology Co., Ltd., a company which became a subsidiary of Beijing Development 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 39, is our executive Director. Mr. Chen 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. Mr. Chen was appointed as a director of ERG BJ in March 2011. From March 2011 to August 2011, Mr. Chen concurrently served as the general manager of Vix Technology (Aust) Ltd ("**Vix Technology**") in East Asia. Mr. Chen has over 7 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). Mr. Chen 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 48, is our Chairman and non-executive Director. Dr. Tian joined our Group and was appointed as a Director on 6 July 2011. 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 chairman, 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 Shanghai 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 Dr. Tian 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.

HAO Weiya (郝偉亞), Mr. Hao, aged 44, was appointed as our non-executive Director on 6 August 2013. Mr. Hao graduated from the University of Science and Technology Beijing (北京科技大學) in the People's Republic of China with a bachelor's degree of engineering majoring in applied chemistry (industry analysis) in July 1992 and a master's degree in business administration in June 2001. In November 2008, Mr. Hao was qualified as a senior economist approved by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會). Mr. Hao has over 18 years of experience in finance and investment. During the period from January 1994 to March 2000, Mr. Hao worked in various brokerage and investment companies. During the period from March 2000 to April 2001, Mr. Hao acted as the project manager of 北京市境外融投資管理中心 (Beijing Municipality Overseas Finance and Investment Managing Center*). From April 2001 to January 2002, Mr. Hao acted as the vice president of the capital management department of Beijing State-owned Assets Management Co., Ltd. (北京市國有資產經營有限責任公司). From January 2002 to August 2008, Mr. Hao served as the vice general manager and subsequently acted as the general manager and chairman of the board of directors of 北京集成電路設計園有限公司 (Beijing Integrated Circuit Design Park Co., Ltd.*). During the period from August 2008 to July 2010, Mr. Hao served as the senior investment manager of financing department, the manager of investment management department, assistant to general manager of BII. During the period from January 2010 to June 2011, Mr. Hao acted as the director of Metro Land Corporation Ltd. (京投銀泰股份有限公司) (Stock Code: 600683), a company listed on the Shanghai Stock Exchange. Mr. Hao has acted as the vice general manager of BII since July 2010.

Steven Bruce GALLAGHER, Mr. Gallagher, aged 49, is our non-executive Director. Mr. Gallagher 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 (a former controlling Shareholder of the Company) 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. Mr. Gallagher has served as an executive director of Vix Technology since July 2007. Mr. Gallagher was an executive director of Videlli Limited (formerly known as ERG Limited and delisted from the Australia Securities Exchange in June 2009) from June 2007 to March 2009. During the period from 1991 to 2005, Mr. Gallagher served in various posts with Siemens Australia Ltd and later with Siemens China Ltd. until 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 74, is our independent non-executive Director. Mr. Hu 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. Mr. Hu obtained his bachelor's degree in electrical engineering from Tsinghua University in July 1965.

BAI Jinrong (白金榮), Mr. Bai, aged 63, is our independent non-executive Director. Mr. Bai 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. 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, Mr. Bai 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, Mr. Bai served as a deputy director of Beijing Economic Structure Reforms Committee; from 1984 to 1992, Mr. Bai 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.

* For identification purposes only.

LUO Zhenbang *CPA* (羅振邦) Mr. Luo, aged 47, is our independent non-executive Director. Mr. Luo joined our Group and was appointed as our independent non-executive Director on 13 November 2012. Mr. Luo is the director and senior partner of the BDO China Shu Lun Pan Certified Public Accountants LLP. Mr. Luo graduated from the School of Business of Lanzhou in 1991 majoring in enterprise management and obtained a master's degree in corporate governance and innovation from Tsinghua University. Mr. Luo has over 19 years' experience in accounting, auditing and financial management and is a Chinese Certified Public Accountant, Certified Tax Agent, Certified Public Valuer and Certified Accountant in securities and futures industry. Mr. Luo has extensive experience in the audit of listed companies in various sectors and provides business consultation services in corporate restructuring and strategic planning for initial public offer, assets and debts restructuring. Mr. Luo acted as the vice general manager of Zhong Zhou Certified Public Accountants and Baker Tilly China Certified Public Accountants. He was an expert supervisor of China Cinda Asset Management Co., Ltd. and China Great Wall Asset Management Corporation. Mr. Luo served as an independent director of several companies listed in the People's Republic of China, including Long March Vehicle Technology Company Limited (now known as China Aerospace Times Electronics Company Limited) (Stock Code: 600879) and AVIC Heavy Machinery Company Limited (Stock Code: 600765), each a company listed on the Shanghai Stock Exchange; Ningxia Orient Tantalum Industry Company Limited (Stock Code: 962), Wuzhong Instrument Company Limited (now known as Ningxia Yinxing Energy Company Limited) (Stock Code: 862) and Ningxia Zhongyin Cashmere Company Limited (Stock Code: 982), each a company listed on the Shenzhen Stock Exchange. Mr. Luo has been the independent non-executive director of China Aerospace International Holdings Limited (Stock Code: 31) since December 2004 and the independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd. (Stock Code: 2208) since June 2013, both companies are listed on the Hong Kong Stock Exchange. Mr. Luo is also a member of the internal audit committee of Northeast Securities Co., Ltd. (a company listed on the Shanghai Stock Exchange (Stock Code: 686)).

KONG Shin Long, Johnny *CPA* (龔興隆), Dr. Kong, aged 66, was our independent non-executive Director. Dr. Kong was appointed as independent non-executive Director on 7 December 2011 and subsequently resigned on 13 November 2012. 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. Dr. Kong was 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

LIU Zhongliang (劉忠良), Mr. Liu, aged 39, was appointed as deputy general manager of our Group on 1 September 2012. Mr. Liu joined our Group in March 2009 as deputy general manager of ERG BJ and was transferred to BII ERG as deputy general manager in October 2009. Mr. Liu has over 14 years of experience in the management technology and communications industry as well as the metro industry. Prior to joining our Group, Mr. Liu had worked at Anshan Municipal Commission of Development and Reform, and had served as the project manager at Motorola (China) Electronics Limited, the department manager at Samsung SDS (China) Limited, the director of engineering and software development at Telvent Control System (China) Limited (now known as Schneider Electric China) and the China regional deputy general manager at ERG Group (now known as Vix-ERG) respectively. Mr. Liu obtained a master's degree in management information study from Institute of Scientific and Technical Information of China in 2000 and was a visiting scholar at the University of Maryland in 2000. Mr. Liu is primarily responsible for the strategic planning and business development of our Group.

CAO Ying (曹穎), Ms. Cao, aged 39, joined our Group and was appointed as deputy general manager of our Group on 11 April 2011. Ms. Cao has over 9 years of experience in the management technology and communications industry. Ms. Cao was appointed as a director of ERG BJ in March 2011. 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 33, joined our Group and was appointed as deputy general manager of our Group on 1 November 2010. Ms. Wu has more than 6 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 40, 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 15 years of experience in the accounting and finance field. Prior to joining our Group, Mr. Lau served in 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 report for the year ended 30 June 2013:

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 16 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 30 June 2013 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 40 to 92.

The Board did not recommend the payment of any dividend for the year ended 30 June 2013 (2012: HK2.5 cents).

CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the AGM to be held on Tuesday, 12 November 2013, the register of members will be closed from Friday, 8 November 2013 to Monday, 11 November 2013, 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, 7 November 2013.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 12 November 2013. Shareholders should refer to details regarding the AGM in the circular to be despatched by the Company and the notice of meeting and form of proxy accompanying thereto.

SHARE CAPITAL

Details of the movements in the Company's share capital are set out in Note 23(c) 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 23(a) 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 2013, the Company's reserves available for distribution amounted to approximately HK$285.6 million (2012: HK$209.5 million). Such amount includes the Company's share premium.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the year are set out in Note 12 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 four 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	82%

		Percentage of total sales
(2)	**Sales**	
	– the largest customer	58%
	– the five largest customers combined	88%

Save as disclosed under the section headed "Connected Transaction", 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. Hao Weiya	appointed on 6 August 2013
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
Mr. Luo Zhenbang *CPA*	appointed on 13 November 2012
Dr. Kong Shin Long, Johnny *CPA*	appointed on 7 December 2011 and resigned on 13 November 2012

According to articles 16.2 of the Articles, Mr. Hao Weiya and Mr. Luo Zhenbang will retire as Director and each of them is eligible to offer themselves for re-election as Directors at the next following annual general meeting of the Company. According to articles 16.18 of the Articles, Mr. Cao Wei, Mr. Chen Rui and Mr. Steven Bruce Gallagher 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. Cao Wei, Mr. Hao Weiya, Mr. Chen Rui, Mr. Steven Bruce Gallagher and Mr. Luo Zhenbarg 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 12 to 15 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 2013 are set out in Notes 8 and 9 to the consolidated financial statements. For the year ending 30 June 2014, each of Dr. Tian Zhenqing, and Mr. Hao Weiya, both a non-executive Director and Mr. Hu Zhaoguang, an independent non-executive Director has agreed to waive their respective emoluments under the letter of appointment.

MANAGEMENT CONTRACTS

As at 30 June 2013, 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 21 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 2013, there were 35.73 million outstanding share options granted under the Share Option Scheme, details as follows:

Name	Position/ Capacity	Date of grant	Exercise price HK$	Vesting period (*Note*)	Exercise period (*Note*)	Number of Share Options: Balance as at 1 July 2012	Granted during the period	Exercise during the period	Cancelled/ lapsed during the period	Balance as at 31 March 2013
Mr. Cao	Chief Executive Officer and Executive Director	26 July 2012	0.656	26 July 2012 to 25 July 2013	26 July 2013 to 25 July 2017	–	800,000	–	–	800,000
Mr. Chen	Executive Director	26 July 2012	0.656	26 July 2012 to 25 July 2013	26 July 2013 to 25 July 2017	–	800,000	–	–	800,000
Mr. Gallagher	Non-executive Director	26 July 2012	0.656	26 July 2012 to 25 July 2013	26 July 2013 to 25 July 2017	–	800,000	–	–	800,000
Others	Employees	26 July 2012	0.656	26 July 2012 to 25 July 2013	26 July 2013 to 25 July 2017	–	36,800,000	–	3,468,000	33,332,000
						–	39,200,000	–	3,468,000	35,732,000

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

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

As at 30 June 2013, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong ("**SFO**")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

LONG POSITIONS IN THE ORDINARY SHARES AND UNDERLYING SHARES

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares	Interest in underlying shares of share options	Approximate percentage of issued share capital of the Company/ associated corporation
Mr. Cao Wei ("**Mr. Cao**")	The Company	Interest in a controlled corporation/Interest of concert parties *(Notes 1 and 2)*	481,267,527 Shares	–	50.44%
	The Company	Beneficial owner		800,000 Shares (L) *(Note 3)*	0.08%
Mr. Chen Rui ("**Mr. Chen**")	The Company	Interest in a controlled corporation/Interest of concert parties *(Notes 1 and 4)*	481,267,527 Shares	–	50.44%
	The Company	Beneficial owner	–	800,000 Shares (L) *(Note 3)*	0.08%
Mr. Steven Bruce Gallagher ("**Mr. Gallagher**")	The Company	Beneficial owner	–	800,000 Shares (L) *(Note 3)*	0.08%

Notes:

1. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend Limited ("**More Legend**"), Vix Technology (East Asia) Limited ("**Vix East Asia**") and Landcity Limited ("**Landcity**"), they have confirmed that they are parties acting in concert in the operation and management of the Company since the date of listing of the Company. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO.

2. More Legend is owned as to 75% by Mr. Cao and as to 25% by Ms. Wang Jiangping, the spouse of Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 481,267,527 shares which More Legend is interested in. Mr. Cao is the sole director of More Legend.

3. On 26 July 2012, each of Mr. Cao, Mr. Chen and Mr. Gallagher was granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 shares of the Company, exercisable at a price of HK$0.656 per share during a period from 26 July 2012 to 25 July 2017. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 26 July 2013, 26 July 2014 and 26 July 2015 respectively.

4. Landcity is owned as to 100% by the Sino Choice Trust, whose beneficiaries are Mr. Chen and Ms. Jiang Wenjun, the spouse of Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the 481,267,527 shares which Landcity is interested in. Mr. Chen is a director of Landcity.

Save as disclosed herein, as at 30 June 2013, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 30 June 2013, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the shares and/or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under Section 336 of the SFO, or who was directly or indirectly 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 were as follows:

LONG POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

Name of Person	Capacity	Number of Shares	Approximate percentage of interest
More Legend	Beneficial owner/Interest of concert parties *(Notes 1 & 2)*	481,267,527 Shares (L)	50.44%
Vix East Asia	Beneficial owner/Interest of concert parties *(Notes 2 & 3)*	481,267,527 Shares (L)	50.44%
Landcity	Beneficial owner/Interest of concert parties *(Notes 2 & 4)*	481,267,527 Shares (L)	50.44%
Sino Choice Trust	Interest in a controlled corporation/Interest of concert parties *(Note 5)*	481,267,527 Shares (L)	50.44%
Vix Holdings Limited ("**Vix Holdings**")	Interest in a controlled corporation/Interest of concert parties *(Note 6)*	481,267,527 Shares (L)	50.44%
Ms. Wang Jiangping ("**Ms. Wang**")	Interest of spouse *(Note 7)*	482,067,527 Shares (L)	50.52%
Ms. Jiang Wenjun ("**Ms. Jiang**")	Interest of spouse *(Note 8)*	482,067,527 Shares (L)	50.52%
BII HK	Beneficial owner *(Note 9)*	233,777,063 Shares (L)	24.50%
BII	Interest of controlled corporation *(Note 10)*	233,777,063 Shares (L)	24.50%

Notes:

1. More Legend is the legal and beneficial owner of approximately 28.24% of the entire issued share capital of the Company. 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 sole director of More Legend.

2. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend, Vix East Asia and Landcity, they have confirmed that they are parties acting in concert in the operation and management of the Company since the date of listing of the Company. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO.

3. Vix East Asia is the legal and beneficial owner of approximately 15.13% of the entire issued share capital of the Company. Mr. Gallagher is a director of Vix East Asia.

4. Landcity is the legal and beneficial owner of approximately 7.06% of the entire issued share capital of the Company. Mr. Chen is a director of Landcity.

5. Sino Choice Trust holds 100% of Landcity as trustee in favour of Mr. Chen and Ms. Jiang.

6. Vix East Asia is a wholly-owned subsidiary of Vix Holdings.

7. Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 482,067,527 shares and underlying shares of the Company held by Mr. Cao.

8. Ms. Jiang is the spouse of Mr. Chen and is deemed to be interested in 482,067,527 shares and underlying shares of the Company held by Mr. Chen.

9. BII HK is a wholly-owned subsidiary of BII. Dr. Tian Zhenqing is a director of BII HK.

10. 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, or who was directly or indirectly 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the paragraph headed "Directors' and Chief Executives' interests and short positions in the shares, underlying shares or debentures of the Company and its associated corporations and in the section "Share Option Scheme"", at no time during the year ended 30 June 2013 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the Directors or their respective spouse or minor children to acquire such rights in any other body corporate.

COMPETITION AND CONFLICT OF INTERESTS

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

COMPLIANCE ADVISER'S INTEREST IN THE COMPANY

As at 30 June 2013, 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 4.10% 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 2013 are disclosed in Note 27 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 PRINCIPAL LICENSING AGREEMENT

On 28 February 2012, ERG HK entered into a licensing agreement ("**ERG HK Principal 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 Principal 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 Chapter 20 of the GEM Listing Rules.

Pursuant to the ERG HK Principal 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 Principal 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 Principal Licensing Agreement were set out in the Prospectus.

For the year ended 30 June 2013, Vix IP and ERG HK did not carry out any transaction in relation to the ERG HK Principal Licensing Agreement.

(II) ERG HK SUPPLEMENTAL LICENSING AGREEMENT

On 15 October 2012, the ERG HK Supplemental Licensing Agreement was entered into among Vix IP, ERG HK, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway Holdings Company Limited ("**Beijing City Railway**") (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG HK Principal Licensing Agreement. The ERG HK Supplemental Licensing Agreement was entered into for the purpose of, among others, amending and supplementing the ERG HK Principal Licensing Agreement including novation of obligations and rights of the parties thereto and expanding the scope of services under the ERG HK Principal Licensing Agreements. The term of ERG HK Principal Licensing Agreement is amended and revised to three years commencing from 15 October 2012, then renewable every three years in accordance with the ERG HK Principal Licensing Agreement.

Vix Technology (East Asia) Limited ("**Vix East Asia**") was interested as to 15.13% of the entire issued share capital of the Company. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend Limited ("**More Legend**"), Vix East Asia and Landcity Limited ("**Landcity**"), they have confirmed that they are parties acting in concert in the operation and management of the Company since the Listing Date. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO and they together were interested as to 50.43% of the entire issued share capital of the Company. The entire issued share capital of Vix East Asia was held by Vix Holdings. Accordingly, Vix Holdings is an associate of the Company, and is therefore a connected person of the Company under Chapter 20 of the GEM Listing Rules. Vix IP is a connected person of the Company under Chapter 20 of the GEM Listing Rules by virtue of the fact that it is a wholly-owned subsidiary of Vix Holdings.

Pursuant to the ERG HK Supplemental Licensing Agreement, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) has agreed to assume the rights and obligations of Vix IP as licensor while Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) has agreed to assume the rights and obligations of ERG HK as licensee in relation to the HK Licensor Technology under the ERG HK Principal Licensing Agreement.

Each of Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) has agreed to provide, and has agreed to engage each other (as the case may be) to provide services including but not limited to the AFC System Project Technical Services save for the HK Principal Additional Services ("**ERG HK Agreement New Services**") during the term of the ERG HK Supplemental Licensing Agreement.

Under the ERG HK Supplemental Licensing Agreement, the party requesting the ERG HK Agreement New Services may from time to time make a request with the provider for the provision of such services by placing the service notice with the provider. The service fee, the type(s) of services required, the specifications that such services shall meet, the location where the services is expected to be carried out and the expected delivery date of such services will be negotiated by the parties in good faith which will be set out in the relevant service notices.

In respect of provision of ERG HK Agreement New Services, service notice shall be given in writing sent by facsimile or by email from party requesting the ERG HK Agreement New Services to the provider. The service fee shall be determined by the parties from time to time by reference to, among other factors, the complexity of the service to be provided as well as, where applicable, prevailing market rates of similar services. The payment terms for the service fee will be set out in the relevant service notices to be placed under the ERG HK Supplemental Licensing Agreement. Further details regarding the ERG HK Supplemental Licensing Agreement and related continuing connected transactions were set out in the announcement and the circular of the Company dated 15 October 2012 and 26 October 2012 respectively.

For the year ended 30 June 2013, the service income generated and the technical service costs incurred by the Group under the ERG HK Supplemental Licensing Agreement amounted to HK$1.6 million and HK$0.6 million respectively.

(III) ERG BJ PRINCIPAL LICENSING AGREEMENT

On 28 February 2012, ERG BJ entered into a licensing agreement (the "**ERG BJ Principal 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 Principal 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 Chapter 20 of the GEM Listing Rules.

Pursuant to the ERG BJ Principal 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 Principal 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 Principal Licensing Agreement were set out in the Prospectus.

For the year ended 30 June 2013, Vix IP and ERG BJ did not carry out any transaction in relation to the ERG BJ Principal Licensing Agreement.

(IV) ERG BJ SUPPLEMENTAL LICENSING AGREEMENT

On 15 October 2012, the ERG BJ Supplemental Licensing Agreement was entered into among Vix IP, ERG BJ, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) and Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) to amend and supplement the ERG BJ Principal Licensing Agreement. The ERG BJ Supplemental Licensing Agreement was entered into for the purpose of, among others, amending and supplementing the ERG BJ Principal Licensing Agreement including novation of obligations and rights of the parties thereto and expanding the scope of services under the ERG BJ Principal Licensing Agreements. The term of ERG BJ Principal Licensing Agreement is amended and revised to three years commencing from 15 October 2012, then renewable every three years in accordance with the ERG HK Principal Licensing Agreement.

Vix East Asia was interested as to 15.13% of the entire issued share capital of the Company. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend, Vix East Asia and Landcity, they have confirmed that they are parties acting in concert in the operation and management of the Company since the Listing Date. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO and they together were interested as to 50.43% of the entire issued share capital of the Company. The entire issued share capital of Vix East Asia was held by Vix Holdings. Accordingly, Vix Holdings is an associate of the Company, and is therefore a connected person of the Company under Rule 20.11(4) of the GEM Listing Rules. Vix IP is a connected person of the Company under Chapter 20 of the GEM Listing Rules by virtue of the fact that it is a wholly-owned subsidiary of Vix Holdings.

Pursuant to the ERG BJ Supplemental Licensing Agreement, Vix Holdings (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) (the "**ERG BJ Agreement Provider**") has agreed to assume the rights and obligations of Vix IP as licensor while Beijing City Railway (on its own behalf and as trustee for the benefit of its subsidiaries from time to time) (the "**ERG BJ Agreement Customer**") has agreed to assume the rights and obligations of ERG BJ as licensee in relation to the BJ Licensor Technology under the ERG BJ Principal Licensing Agreement.

The ERG BJ Agreement Provider has agreed to provide, and the ERG BJ Agreement Customer has agreed to engage the ERG BJ Agreement Provider to provide services including but not limited to the ACC System Project Technical Service and the Optimisation Project Technical Service save for the BJ Principal Additional Services ("**ERG BJ Agreement New Services**", together with ERG HK Agreement New Services, collectively, "**New Services**") during the term of the ERG BJ Supplemental Licensing Agreement. Under the ERG BJ Supplemental Licensing Agreement, the ERG BJ Agreement Customer may from time to time make a request with the ERG BJ Agreement Provider for the provision of ERG BJ Agreement New Services by placing the service notice with the ERG BJ Agreement Provider. The service fee, the type(s) of services required, the specifications that such services shall meet, the location where the services is expected to be carried out and the expected delivery date of such services will be negotiated by the parties in good faith which will be set out in the relevant service notices.

In respect of provision of ERG BJ Agreement New Services, service notice shall be given in writing sent by facsimile or by email from ERG BJ Agreement Customer to ERG BJ Agreement Provider. The service fee shall be determined by the parties from time to time by reference to, among other factors, the complexity of the service to be provided as well as, where applicable, prevailing market rates of similar services. The payment terms for the service fee will be set out in the relevant service notices to be placed under the ERG BJ Supplemental Licensing Agreement. Further details regarding the ERG BJ Supplemental Licensing Agreement and related continuing connected transactions were set out in the announcement and the circular of the Company dated 15 October 2012 and 26 October 2012 respectively.

For the year ended 30 June 2013, the total transaction amount carried out under the ERG BJ Supplemental Licensing Agreement amounted to HK$1.46 million.

(V) 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 was interested as to 15.13% of the entire issued share capital of the Company. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend, Vix East Asia and Landcity, they have confirmed that they are parties acting in concert in the operation and management of the Company since the Listing Date. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO and they together were interested as to 50.43% of the entire issued share capital of the Company. The entire issued share capital of Vix East Asia was held by Vix Holdings. Accordingly, Vix Holdings is an associate of the Company, and is therefore a connected person of the Company under Rule 20.11(4) of the GEM Listing Rules. Vix IP is a connected person of the Company under Chapter 20 of the GEM Listing Rules by virtue of the fact that it is a wholly-owned subsidiary of Vix Holdings.

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 2013, the technical service fee actually incurred by Vix East Asia to the Group amounted to HK$1.78 million.

(VI) FRAMEWORK AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND 北京軌道交通路網管理有限公司 (BEIJING METRO NETWORK ADMINISTRATION CO., LTD*)

On 25 June 2013, the Company entered into a framework agreement with Beijing Metro Network Administration Co., Ltd ("**Beijing Metro Network**") to regulate the business relationships between the parties thereto (the "**Beijing Metro Network Framework Agreement**") for a period commencing from 17 July 2013 and ending on 30 June 2016 (both days inclusive).

As disclosed in the announcement of the Company dated 8 May 2013 and the circular of the Company dated 7 June 2013 in relation to the acquisition ("**Acquisition**") of Innovation Holding Co., LTD., following the completion of the Acquisition on 28 June 2013, Beijing Infrastructure Investment (Hong Kong) Limited ("**BII HK**") is entitled to exercise, or control the exercise of, more than 10% of the voting power at any general meeting of the Company and become a substantial shareholder and a connected person of the Company. 北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.*) ("**BII**") is the sole beneficial shareholder of BII HK and Beijing Metro Network whereby Beijing Metro Network is a fellow subsidiary of BII HK. Accordingly, each of BII and Beijing Metro Network is an associate of BII HK, and therefore become connected persons of the Company under Chapter 20 of the GEM Listing Rules.

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

Pursuant to the Beijing Metro Network Framework Agreement, parties thereto will enter into individual agreements for the provision of the Services. Pursuant to the Beijing Metro Network Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered by the Group shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors. Further details regarding the Beijing Metro Network Framework Agreement and related continuing connected transactions were set out in the announcement and the circular of the Company dated 25 June 2013 and 17 July 2013 respectively.

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

Save as disclosed in this report, there were no other material events after the reporting period as at the date of this report.

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 2013. The Company was not aware of any non-compliance during the year ended 30 June 2013.

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 year ended 30 June 2013.

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section on pages 30 to 38 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 2013, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang *CPA* (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 Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 30 June 2013 and is of the opinion that such statements comply with applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

AUDITORS

The consolidated financial statements for the year ended 30 June 2013 were audited by KPMG and they have issued an unqualified opinion. KPMG shall retire and, being eligible, offer themselves for re-appointment at the AGM. A resolution to re-appoint KPMG as auditors of the Company and to authorise the Directors to fix their auditors' remuneration 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, 24 September 2013

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report for the year ended 30 June 2013:

CORPORATE GOVERNANCE PRACTICES

The Board believes that maintaining high standard of corporate governance practices is crucial to safeguarding shareholders' and stakeholders' interests as well as enhancing corporate value and accountability. During the year ended 30 June 2013, the Company has complied with all the code provisions as set out in the Corporate Governance Code and Corporate Governance Report to the Appendix 15 of the GEM Listing Rules (the "**CG Code**").

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board currently has 8 Directors, comprising 2 executive Directors, 3 non-executive Directors and 3 independent non-executive Directors. Dr. Kong Shin Long resigned as independent non-executive Directors on 13 November 2012 and Mr. Luo Zhenbang was appointed to fill the vacancy on the same date. Mr. Hao Weiya was appointed as an additional non-executive Director on 6 August 2013. Details of the Board composition is set out below:

Dr. Tian Zhenqing	Chairman and non-executive Director
Mr. Cao Wei	Chief Executive Officer and executive Director
Mr. Chen Rui	Executive Director
Mr. Hao Weiya	Non-executive Director (appointed on 6 August 2013)
Mr. Steven Bruce Gallagher	Non-executive Director
Mr. Hu Zhaoguang	Independent non-executive Director
Mr. Bai Jinrong	Independent non-executive Director
Mr. Luo Zhenbang *CPA*	Independent non-executive Director (appointed on 13 November 2012)
Dr. Kong Shin Long, Johnny *CPA*	Independent non-executive Director (resigned on 13 November 2012)

The biographical details of the Directors are set out on pages 12 to 15 of this Annual Report.

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

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

According to article 16.8 of 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. Any Director appointed pursuant to article 16.2 or 16.3 of the Articles shall not be taken into account in determining which Directors to retire by rotation.

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 2013. 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.

BOARD MEETINGS

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

A tentative schedule for regular Board meetings for each year is provided to Directors at the beginning of each calender year. In addition, 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 7 days 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 the Company Secretary 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.

There were 4 regular Board meetings and 6 non-regular Board meetings held during the year ended 30 June 2013, the attendance records of each Director at the Board meetings are set out below:

	Meetings attended/Eligible to attend	
Name of Directors	**Regular Board meeting**	**Non-regular Board meeting**
Executive Directors		
Mr. Cao Wei *(Chief Executive Officer)*	4/4	6/6
Mr. Chen Rui	4/4	6/6
Non-Executive Directors		
Dr. Tian Zhenqing *(Chairman)*	4/4	4/4
Mr. Hao Weiya (appointed on 6 August 2013)	–/–	–/–
Mr. Steven Bruce Gallagher	4/4	5/5
Independent Non-Executive Directors		
Mr. Hu Zhaoguang	4/4	6/6
Mr. Bai Jinrong	4/4	6/6
Mr. Luo Zhenbang *CPA* (appointed on 13 November, 2012)	3/3	2/2
Dr. Kong Shin Long, Johnny *CPA* (resigned on 13 November, 2012)	1/1	4/4

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.

All members of the Audit Committee are independent non-executive Directors. The Audit Committee is chaired by Mr. Luo Zhenbang *CPA* following his appointment as the independent non-executive Director of the Company on 13 November 2012. Other members of the Audit Committee include Mr. Hu Zhaoguang and Mr. Bai Jinrong. Dr. Kong Shin Long, Johnny *CPA* ceased to be the chairman and member of the Audit Committee following his retirement as an independent non-executive Director of the Company on 13 November 2012.

The Audit Committee held 4 meetings during the year ended 30 June 2013 to, among others, review, discuss and approve the financial results and reports of the Group for the year ended 30 June 2012 and for the three months, six months and nine months ended 30 September 2012, 31 December 2012 and 31 March 2013 respectively. The Audit Committee also reviewed the Group's internal control policies and compliance procedures and considered matters regarding appointment of external auditors.

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

	Meetings attended/ Eligible to attend
Mr. Luo Zhenbang *CPA* *(Chairman)* (appointed on 13 November 2012)	3/3
Mr. Hu Zhaoguang	4/4
Mr. Bai Jinrong	4/4
Dr. Kong Shin Long, Johnny *CPA* (ceased to be a member on 13 November 2012)	1/1

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.

The Remuneration Committee comprised two independent non-executive Directors and one executive Director. The Remuneration Committee is chaired by Mr. Hu Zhaoguang. Other members of the Remuneration Committee include Mr. Bai Jinrong and Mr. Cao Wei.

The Remuneration Committee held a meeting during the year ended 30 June 2013 to review the directors' fees and the emoluments of the Executive Directors. Details of the remuneration of Directors are set out in Note 7 to the consolidated financial statements.

The attendance record of the members at the Remuneration Committee meeting is set out below:

	Meetings attended/ Eligible to attend
Mr. Hu Zhaoguang *(Chairman)*	1/1
Mr. Bai Jinrong	1/1
Mr. Cao Wei	1/1

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 comprised one non-executive Director and two independent non-executive Directors. The Nomination Committee is chaired by Dr. Tian Zhenqing. Other members of the Nomination Committee include Mr. Hu Zhaoguang and Mr. Bai Jinrong.

The Nomination Committee held a meeting during the year ended 30 June 2013 to discuss and review the composition of the Board as well as matters regarding retirement, appointment and re-election of Directors.

The attendance record of the members at the Nomination Committee meeting is set out below:

	Meetings attended/ Eligible to attend
Dr. Tian Zhenqing *(Chairman)*	1/1
Mr. Hu Zhaoguang	1/1
Mr. Bai Jinrong	1/1

The Nominee Committee adopted a board diversity policy with effect from 1 September 2013 to achieve diversity on the Company's board of directors.

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 year ended 30 June 2013.

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 2013, a directors' training was organised for all Directors to update and refresh them on the GEM Listing Rules, the CG Code 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 2013. The Company was not aware of any non-compliance for the year ended 30 June 2013.

AUDITOR'S REMUNERATION

As at 30 June 2013, 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	2,645
Non-audit services – acting as reporting accountants in relation to an acquisition	880
	3,525

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 reviewed the Group's internal control system for the year ended 30 June 2013 and will continue to assess the effectiveness of internal controls by considering reviews performed by the Audit Committee and executive management.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for the preparation of the financial statements of the Group and ensure that the financial statements are prepared in accordance with applicable statutory requirements and financial reporting standards and that 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.

The statement by the external auditor of the Company regarding their reporting responsibilities of the financial statements of the Group is set out in the Independent Auditor's Report on page 39 of this annual report.

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 quarterly, interim and annual reports as well as other public announcements and circulars. The Company maintains its website (www.ccrtt.com.hk) to provide a 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.

The annual general meeting or other general meetings of the Company provide opportunities for direct communication between the shareholders and the Board. During the year ended 30 June 2013, an annual general meeting and two extraordinary general meetings were held.

The attendance records of the members at the general meetings are set out below:

	Meetings attended/Eligible to attend	
	Annual General Meeting	Extraordinary General Meeting
Dr. Tian Zhenqing *(Chairman)*	1/1	2/2
Mr. Cao Wei	1/1	2/2
Mr. Chen Rui	1/1	2/2
Mr. Hao Weiya (appointed on 6 August 2013)	–/–	–/–
Mr. Steven Bruce Gallagher	1/1	2/2
Mr. Hu Zhaoguang	1/1	1/2
Mr. Bai Jinrong	1/1	2/2
Mr. Luo Zhenbang *CPA* (appointed on 13 November 2012)	–/–	–/1
Dr. Kong Shin Long, Johnny *CPA* (resigned on 13 November 2012)	1/1	1/1

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:	Floor 4, Willow House Cricket Square, P.O. Box 2804, 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 year ended 30 June 2013, no such transaction or board meeting had taken place.

Each of the Controlling Shareholders (as defined in the Prospectus), including 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 (a former Controlling Shareholder of the Company) 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 year ended 30 June 2013, no such business opportunity or transaction or board meeting had taken place.

During the year ended 30 June 2013, 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.

NON-DISPOSAL UNDERTAKING

Each of More Legend, Vix East Asia and Landcity have jointly and severally undertaken to the Company ("**Non-disposal Undertaking**") that, they shall not, at anytime during the period of 18 months commencing from 29 November 2012 ("**Non-disposal Period**"), among others, sell, transfer or otherwise dispose of, or enter into any agreement to sell, transfer or dispose of, or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares (or any interest therein) directly or indirectly owned by them or in which they are, directly or indirectly, interested or holding any interest in any shares in any company controlled by them which is the beneficial owner of any of the Shares, subject to certain exceptions set out in the Non-disposal Undertaking. Each of More Legend, Vix East Asia and Landcity have also undertaken to procure their associates or any company controlled by them or any of their associates, nominees or trustees holding in trust for them to observe and comply with the Non-disposal Undertaking.

More Legend, Vix East Asia and Landcity have confirmed that during the year ended 30 June 2013, they have complied with the Non-disposal Undertaking.

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 40 to 92, which comprise the consolidated and the Company's statements of financial position as at 30 June 2013, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and 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 2013 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

24 September 2013

Consolidated Statement of Profit or Loss

for the year ended 30 June 2013 *(Expressed in Hong Kong dollars ("HK$"))*

	Note	2013 HK$'000	2012 HK$'000
Revenue	4	**254,135**	190,240
Cost of sales		**(155,992)**	(56,403)
Gross profit	4(b)	**98,143**	133,837
Other revenue	5	**3,272**	58
Other net income/(loss)		**13**	(31)
Selling, general and administrative expenses		**(33,918)**	(29,735)
Profit from operations		**67,510**	104,129
Investment income		**156**	16
Remeasurement to fair value of pre-existing equity interests in an associate	24	**1,795**	–
Share of profit/(loss) of an associate		**3,214**	(4,915)
Profit before taxation	6	**72,675**	99,230
Income tax	7	**(13,633)**	(18,515)
Profit attributable to equity shareholders of the Company for the year		**59,042**	80,715
Earnings per share			
– Basic (HK$)	11(a)	**0.074**	0.129
– Diluted (HK$)	11(b)	**0.073**	N/A

The notes on pages 47 to 92 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2013 *(Expressed in HK$)*

	2013	2012
	HK$'000	HK$'000
Profit for the year	**59,042**	80,715
Other comprehensive income for the year (after tax and reclassification adjustment):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	**4,924**	656
– Reclassification of exchange differences on loss of significance influence	**(437)**	–
Total comprehensive income attributable to equity shareholders of the Company for the year	**63,529**	81,371

The notes on pages 47 to 92 form part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2013 *(Expressed in HK$)*

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Property, plant and equipment	*12*	**2,141**	1,502
Intangible assets	*13*	**70,260**	39,560
Goodwill	*14*	**57,368**	–
Interest in an associate	*15*	**–**	23,400
Deferred tax assets	*22(b)*	**3,534**	1,911
		133,303	66,373
Current assets			
Inventories	*17*	**10,040**	1,554
Trade and other receivables	*18*	**341,996**	193,458
Cash and cash equivalents	*19*	**207,239**	203,196
		559,275	398,208
Current liabilities			
Trade and other payables	*20*	**169,707**	106,053
Current taxation	*22(a)*	**28,408**	18,714
		198,115	124,767
Net current assets		**361,160**	273,441
Total assets less current liabilities		**494,463**	339,814
Non-current liabilities			
Deferred tax liabilities	*22(b)*	**5,111**	–
NET ASSETS		**489,352**	339,814
CAPITAL AND RESERVES	*23*		
Share capital		**9,542**	8,000
Reserves		**473,713**	331,814
Total equity attributable to equity shareholders of the Company		**483,255**	339,814
Non-controlling interests		**6,097**	–
TOTAL EQUITY		**489,352**	339,814

Approved and authorised for issue by the board of directors on 24 September 2013.

Tian Zhenqing
Director

Cao Wei
Director

The notes on pages 47 to 92 form part of these financial statements.

Statement of Financial Position

at 30 June 2013 *(Expressed in HK$)*

	Note	2013 HK$'000	2012 HK$'000
Non-current assets			
Investments in subsidiaries	*16*	**139,475**	40,955
Current assets			
Other receivables	*18*	**153,616**	39,266
Cash and cash equivalents	*19*	**18,966**	166,449
		172,582	205,715
Current liabilities			
Accrued expenses	*20*	**1,351**	971
Net current assets		**171,231**	204,744
NET ASSETS		**310,706**	245,699
CAPITAL AND RESERVES	*23*		
Share capital		**9,542**	8,000
Reserves		**301,164**	237,699
TOTAL EQUITY		**310,706**	245,699

Approved and authorised for issue by the board of directors on 24 September 2013.

Tian Zhenqing
Director

Cao Wei
Director

The notes on pages 47 to 92 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013 *(Expressed in HK$)*

	Attributable to equity shareholders of the Company						
	Share capital HK$'000 *(Note 23 (c))*	Share premium HK$'000 *(Note 23 (d)(i))*	Capital reserve HK$'000 *(Note 23 (d)(ii))*	Statutory reserves HK$'000 *(Note 23 (d)(iii))*	Exchange reserve HK$'000 *(Note 23 (d)(iv))*	Retained earnings HK$'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	82	42,350	–	–	–	–	42,432
Cancellation of original issued shares and re-issuance of new shares	(83)	83	–	–	–	–	–
Capitalisation issue	6,000	(6,000)	–	–	–	–	–
Issuance of shares by initial public offering	2,000	198,000	–	–	–	–	200,000
Share issuance expenses	–	(24,945)	–	–	–	–	(24,945)
Appropriation to reserves	–	–	–	9,256	–	(9,256)	–
	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 47 to 92 form part of these financial statements.

	Attributable to equity shareholders of the Company								
	Share capital HK$'000 *(Note 23 (c))*	Share premium HK$'000 *(Note 23 (d)(i))*	Capital reserve HK$'000 *(Note 23 (d)(ii))*	Statutory reserves HK$'000 *(Note 23 (d)(iii))*	Exchange reserve HK$'000 *(Note 23 (d)(iv))*	Retained earnings HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 July 2012	8,000	209,488	17,564	12,967	3,003	88,792	339,814	–	339,814
Changes in equity for 2013:									
Profit for the year	–	–	–	–	–	59,042	59,042	–	59,042
Other comprehensive income	–	–	–	–	4,487	–	4,487	–	4,487
Total comprehensive income	–	–	–	–	4,487	59,042	63,529	–	63,529
Distributions approved in respect of the previous year *(Note 23(b)(ii))*	–	(20,000)	–	–	–	–	(20,000)	–	(20,000)
Issuance of shares *(Note 23(c)(ii))*	1,542	96,118	–	–	–	–	97,660	–	97,660
Increase in non-controlling interests through the acquisition of subsidiaries *(Note 24)*	–	–	–	–	–	–	–	6,097	6,097
Equity settled share-based transactions *(Note 21)*	–	–	2,252	–	–	–	2,252	–	2,252
Appropriation to reserves	–	–	–	3,429	–	(3,429)	–	–	–
	1,542	76,118	2,252	3,429	–	(3,429)	79,912	6,097	86,009
Balance at 30 June 2013	9,542	285,606	19,816	16,396	7,490	144,405	483,255	6,097	489,352

The notes on pages 47 to 92 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 June 2013 *(Expressed in HK$)*

	Note	2013 HK$'000	2012 HK$'000
Operating activities			
Profit before taxation		**72,675**	99,230
Adjustments for:			
Depreciation and amortisation	*6(b)*	**7,009**	13,631
Interest income	*5*	**(59)**	(58)
Investment income		**(156)**	(16)
Share of (profit)/loss of an associate		**(3,214)**	4,915
Remeasurement to fair value of pre-existing equity interests in an associate		**(1,795)**	–
Equity-settled share-based payment expenses	*6(a)*	**2,252**	–
Net loss on disposal of property, plant and equipment	*6(b)*	**30**	–
Changes in working capital:			
Increase in inventories		**(338)**	(869)
Increase in trade and other receivables		**(43,576)**	(157,774)
Increase in trade and other payables		**8,320**	27,550
Cash generated from/(used in) operations		**41,148**	(13,391)
Interest income received		**59**	58
Income tax paid	*22(a)*	**(5,517)**	(1,853)
Net cash generated from/(used in) operating activities		**35,690**	(15,186)
Investing activities			
Payments for purchase of short term investments		**(24,722)**	(3,065)
Proceeds from sale of short term investments		**24,878**	3,081
Payments for the purchase of property, plant and equipment and intangible assets		**(26,484)**	(1,869)
Proceeds from disposal of property, plant and equipment		**5**	–
Cash acquired through the acquisition of subsidiaries	*24*	**12,004**	–
Net cash used in investing activities		**(14,319)**	(1,853)
Financing activities			
Contributions from equity shareholders of the Company		**–**	19,577
Proceeds from issuance of shares by initial public offering		**2,647**	197,353
Payments for share issuance expenses		**–**	(24,945)
Distributions to equity shareholders of the Company	*23(b)(ii)*	**(20,000)**	(4,878)
Net cash (used in)/generated from financing activities		**(17,353)**	187,107
Net increase in cash and cash equivalents		**4,018**	170,068
Cash and cash equivalents at 1 July	*19*	**203,196**	33,021
Effect of foreign exchange rate changes		**25**	107
Cash and cash equivalents at 30 June	*19*	**207,239**	203,196

The notes on pages 47 to 92 form part of these financial statements.

Notes to the Financial Statements

(Expressed in HK$ unless otherwise indicated)

1 CORPORATE INFORMATION

China City Railway Transportation Technology Holdings Company Limited (the "Company") was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market 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 2013 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.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("IFRSs"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("IASs") and Interpretations issued by the International Accounting Standards Board (the "IASB") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"). 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 2013 comprise the Group and the Group's interest in an associate.

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.

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 development is relevant to the Group's financial statements:

- Amendments to IAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*

The amendments to IAS 1 require entities to present the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met separately from those that would never be reclassified to profit or loss. The Group's presentation of other comprehensive income in these financial statements has been modified accordingly.

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

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. 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.

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

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

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

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire equity interests in that subsidiary, with a resulting gain or loss being recognised in the consolidated statement of profit or loss. Any equity interests retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate (see Note 2(e)) or jointly controlled entity.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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(j)(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 statement of profit or loss, 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 profit or loss and other 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 associate. 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 associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the consolidated statement of profit or loss.

When the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that associate, with a resulting gain or loss being recognised in the consolidated statement of profit or loss.

(f) Goodwill

Goodwill represents the excess of:

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

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

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

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

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

	Estimated useful lives
Leasehold improvements	Over the 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.

(h) Intangible assets (other than goodwill)

Software 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(j)(ii)).

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

	Estimated useful lives
Software	3-10 years

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

(j) 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(j)(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(j)(ii).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

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

– 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 profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

(ii) Impairment of other assets

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

– property, plant and equipment;

– intangible assets; and

– goodwill.

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

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs 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).

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

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

(k) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) 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(s)(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 the "Gross amount due from customers for contract work" 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 the "Receipts in advance" as part of trade and other payables in the statement of financial position.

(m) 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(j)(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(j)(i)).

(n) 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.

(o) 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.

(p) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

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

(ii) Share-based payments

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

(ii) Share-based payments (continued)

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

(iii) 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.

(q) Income tax

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

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

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

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.

(r) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

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

(i) Contract revenue

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

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

(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.

(iv) Government grants

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

(t) 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 profit or loss.

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

The results of foreign operations are translated into Hong Kong dollars 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(v) Segment reporting

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

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Notes 14, 21 and 26 contain information about the assumptions and their risk factors relating to goodwill, fair value of share options and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Revenue recognition

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

(b) Impairment of receivables

The management maintains an allowance for doubtful accounts for estimated losses resulting from the inability of the debtors to make the required payments. The management bases the estimates on the assessment of recoverability of individual debtor balance, debtor 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(j)(ii). The carrying amounts of intangible assets are reviewed periodically in order to assess whether the recoverable amounts have declined below the carrying amounts. 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 category of revenue recognised during the year is as follows:

	2013 **HK$'000**	2012 HK$'000
Revenue from the provision of design and implementation of application solution services	**95,294**	49,909
Revenue from the provision of maintenance of application solution services	**64,086**	29,104
Sales of application solution software	**11,292**	70,680
Sales of application solution related hardware and spare parts	**83,463**	40,547
	254,135	190,240

For the year ended 30 June 2013, revenues from transactions with two (2012: four) customers had exceeded 10% of the Group's revenue. Revenues from these customers amounted to HK$211,911,000 (2012: HK$136,999,000) for the year ended 30 June 2013.

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

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. 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 sells application solution software.
- Hardware and spare parts: this segment sells 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 result is gross profit. No inter-segment sales have occurred for the years ended 30 June 2013 and 2012. The Group's other income and expense items, such as selling, general and administrative expenses, remeasurement to fair value of pre-existing equity interests in an associate and share of profit/(loss) 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 2013 and 2012 is set out below.

	2013				
	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	**95,294**	**64,086**	**11,292**	**83,463**	**254,135**
Reportable segment gross profit	**38,402**	**54,088**	**3,337**	**2,316**	**98,143**

	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

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.

	2013	2012
	HK$'000	HK$'000
Mainland China	**224,026**	168,276
Hong Kong	**28,508**	17,737
The People's Republic of China (the "PRC") (place of domicile)	**252,534**	186,013
Thailand	**1,601**	3,827
Australia	**–**	400
	1,601	4,227
	254,135	190,240

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

5 OTHER REVENUE

	2013	2012
	HK$'000	HK$'000
Government grants	**3,213**	–
Interest income	**59**	58
	3,272	58

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	2013 HK$'000	2012 HK$'000
Salaries, wages and other benefits	**24,217**	19,807
Contributions to defined retirement plans	**1,638**	1,565
Equity-settled share-based payment expenses *(see Note 21)*	**2,252**	–
	28,107	21,372

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

The Group also operates a Mandatory Provident Fund Scheme (the "MPF scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed by the Group's 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$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

	2013 HK$'000	2012 HK$'000
Cost of inventories *(Note 17(b))*	**97,055**	20,713
Auditors' remuneration – audit service (including initial public offering related audit service)	**3,525**	5,222
Depreciation and amortisation *(Notes 12 and 13)*	**7,009**	13,631
Operating lease charges in respect of office premises	**2,587**	2,436
Net foreign exchange loss	**30**	4
Net loss on disposal of property, plant and equipment	**30**	–

7 INCOME TAX

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

	2013 HK$'000	2012 HK$'000
Current taxation: *(Note 22(a))*		
– Hong Kong Profits Tax	**1,054**	1,273
– PRC Corporate Income Tax	**12,555**	19,100
– PRC Withholding Tax	**1,560**	–
	15,169	20,373
Deferred taxation: *(Note 22(b))*		
– Origination and reversal of temporary differences	**(1,536)**	(1,858)
	13,633	18,515

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

	2013 HK$'000	2012 HK$'000
Profit before taxation	**72,675**	99,230
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**19,370**	25,706
Tax effect of non-deductible expenses	**441**	35
Tax effect of non-taxable income	**(1,099)**	–
Tax effect of unused tax losses not recognised *(Note 22(c))*	**3,812**	3,085
Tax concessions *(Notes (iv) and (v))*	**(8,390)**	(11,540)
Tax effect of share of (profit)/loss of an associate	**(804)**	1,229
Tax effect of PRC Withholding Tax *(Note (vi))*	**1,560**	–
Recognition of deferred taxation arising from the change of estimated useful lives of intangible assets *(Note 13)*	**(1,257)**	–
Income tax	**13,633**	18,515

7 INCOME TAX (CONTINUED)

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

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 2013 (2012: 16.5%).

(ii) The Company and the subsidiaries of the Group incorporated in countries other than the PRC (including Hong Kong) are not subject to any income tax pursuant to the rules and regulations of their respective countries of incorporation.

(iii) The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the year ended 30 June 2013 (2012: 25%).

(iv) One of the subsidiaries of the Group established in the PRC has obtained an approval from the tax bureau to be taxed as an enterprise with advanced and new technologies, and therefore enjoys a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2010 to 2012. This subsidiary is in the process of applying the same preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2013 to 2015, whereby the directors of the Company consider that this subsidiary has satisfied the conditions of being an enterprise with advanced and new technologies according to the relevant tax rules and regulations, and accordingly, the directors of the Company has adopted the preferential PRC Corporate Income Tax rate as the applicable tax rate of this subsidiary.

(v) One of the subsidiaries of the Group established in the PRC has obtained approval from the tax bureau to be taxed as a software development enterprise, and according to the relevant income tax rules and regulations, this subsidiary is entitled to a 100% relief from PRC Corporate Income Tax for the calendar years from 2009 to 2010 and 50% relief for the calendar years from 2011 to 2013.

(vi) Pursuant to the PRC Corporate Income Tax Law, non-resident which have an establishment or place of business in the PRC but the relevant income is not effectively connected with the establishment or place of business in the PRC, are subject to PRC income tax at the rate of 10% on various types of passive income including dividends derived from sources in the PRC (the "PRC Withholding Tax"). The dividends distributed by a subsidiary and an associate of the Group established in the PRC to their immediate holding company in Hong Kong are subject to the PRC Withholding Tax.

8 DIRECTORS' REMUNERATION

Details of directors' remuneration are set out below:

	2013						
	Directors' fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000 *(Note 21)*	Total HK$'000
Executive directors							
Cao Wei	1,300	34	–	15	1,349	63	1,412
Chen Rui	1,300	–	–	–	1,300	63	1,363
Non-executive directors							
Tian Zhenqing	–	–	–	–	–	–	–
Steven Bruce GALLAGHER	240	–	–	–	240	63	303
Independent non-executive directors							
Hu Zhaoguang	–	–	–	–	–	–	–
Bai Jinrong	240	–	–	–	240	–	240
Kong Shin Long (resigned on 13 November 2012)	100	–	–	–	100	–	100
Luo Zhenbang (appointed on 13 November 2012)	150	–	–	–	150	–	150
Hao Weiya (appointed on 6 August 2013)	–	–	–	–	–	–	–
	3,330	34	–	15	3,379	189	3,568

8 DIRECTORS' REMUNERATION (CONTINUED)

	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

There were no amounts paid during the year to the directors or any of the five highest paid individuals set out in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office. Besides Mr Tian Zhenqing and Mr Hu Zhaoguang, no other directors waived or agreed to waive any emoluments during the year. Mr Tian Zhenqing and Mr Hu Zhaoguang waived their respective directors' fees of HK$240,000 (2012: HK$30,000) for the year ended 30 June 2013. Mr Tian Zhenqing and Mr Hu Zhaoguang had no other compensation arrangement with the Company during the year.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2012: one) are directors whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other three (2012: four) individuals is as follows:

	2013 HK$'000	2012 HK$'000
Salaries, allowances and benefits in kind	**2,483**	3,075
Discretionary bonuses	**286**	491
Retirement scheme contributions	**45**	48
Share-based payments *(see Note 21)*	**246**	–
	3,060	3,614

The emoluments of the three (2012: four) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	2013	2012
HK$Nil – HK$1,000,000	**2**	2
HK$1,000,001 – HK$1,500,000	**1**	2

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$14,905,000 (2012: HK$12,744,000) which has been dealt with in the financial statements of the Company (see Note 23(a)).

11 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the year ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of HK$59,042,000 (2012: HK$80,715,000) and the weighted average of 801,267,000 ordinary shares (2012: 623,515,000 ordinary shares) in issue during the year, calculated as follows:

	2013 **'000**	2012 '000
Issued ordinary shares at 1 July	**800,000**	–
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	–	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	–	117,110
Effect of shares issued by initial public offering on 16 May 2012	–	25,137
Effect of shares issued on the acquisition of subsidiaries *(Note 23(c)(ii))*	**1,267**	–
Weighted average number of ordinary shares at 30 June	**801,267**	623,515

(b) Diluted earnings per share

The calculation of diluted earnings per share for the year ended 30 June 2013 is based on the profit attributable to ordinary equity shareholders of the Company of HK$59,042,000 and the weighted average of 804,886,000 ordinary shares in issue during the year, calculated as follows:

	2013 **'000**
Weighted average number of ordinary shares at 30 June	**801,267**
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(Note 21)*	**3,619**
Weighted average number of ordinary shares (diluted) at 30 June	**804,886**

There were no dilutive potential ordinary shares for the year ended 30 June 2012.

12 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 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
Cost:				
At 1 July 2012	**738**	**1,188**	**1,266**	**3,192**
Exchange adjustments	**–**	**19**	**25**	**44**
Additions	**–**	**577**	**116**	**693**
Additions through acquisition of subsidiaries *(Note 24)*	**–**	**75**	**1,739**	**1,814**
Disposals	**–**	**–**	**(326)**	**(326)**
At 30 June 2013	**738**	**1,859**	**2,820**	**5,417**
Accumulated depreciation:				
At 1 July 2012	**217**	**606**	**867**	**1,690**
Exchange adjustments	**–**	**16**	**15**	**31**
Charge for the year	**236**	**267**	**163**	**666**
Additions through acquisition of subsidiaries *(Note 24)*	**–**	**32**	**1,148**	**1,180**
Written back on disposals	**–**	**–**	**(291)**	**(291)**
At 30 June 2013	**453**	**921**	**1,902**	**3,276**
Net book value:				
At 30 June 2013	**285**	**938**	**918**	**2,141**

13 INTANGIBLE ASSETS

The Group

	Software HK$'000	Golf club membership HK$'000	Total HK$'000
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
Cost:			
At 1 July 2012	**51,774**	**736**	**52,510**
Exchange adjustments	**1,210**	**18**	**1,228**
Additions	**15,619**	**–**	**15,619**
Additions through acquisition of subsidiaries *(Note 24)*	**20,650**	**–**	**20,650**
At 30 June 2013	**89,253**	**754**	**90,007**
Accumulated amortisation and impairment losses:			
At 1 July 2012	**12,950**	**–**	**12,950**
Exchange adjustments	**402**	**–**	**402**
Charge for the year	**6,343**	**–**	**6,343**
Additions through acquisition of subsidiaries *(Note 24)*	**52**	**–**	**52**
At 30 June 2013	**19,747**	**–**	**19,747**
Carrying amount:			
At 30 June 2013	**69,506**	**754**	**70,260**

During the year ended 30 June 2013, the management of the Group reviewed the estimated useful lives of all of its intangible assets and concluded that due to the market development of the public transport sector in the PRC, these intangible assets are expected to be utilised beyond their original estimated useful lives. As a result, the Group has revised the estimated useful lives of its software from 4 to 10 years.

13 INTANGIBLE ASSETS (CONTINUED)

The effect of this change on actual and expected amortisation expenses, including in "cost of sales", in current and future periods respectively is as follows:

	2013 HK$'000	2014 and 2015 HK$'000	2016 to 2021 HK$'000
(Decrease)/increase in amortisation expenses for the year ended 30 June	(6,651)	(8,868)	4,064

14 GOODWILL

	The Group HK$'000
Cost:	
At 1 July 2011, 30 June 2012 and 1 July 2012	–
Addition through acquisition of subsidiaries *(Note 24)*	**57,368**
	57,368
Accumulated impairment losses:	
At 1 July 2011, 30 June 2012, 1 July 2012 and 30 June 2013	**–**
Carrying amount:	
At 30 June 2013	**57,368**
At 30 June 2012	–

Impairment test for cash-generating unit containing goodwill

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

	2013 HK$'000
The operations of the Group in mainland China	**57,368**

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

15 INTEREST IN AN ASSOCIATE

	The Group	
	2013	2012
	HK$'000	HK$'000
Share of net assets	–	23,400

At 30 June 2012, interest in an associate represented the Group's 44% equity interests in Beijing BII-ERG Transportation Technology Co., Ltd. ("BII ERG"). Upon completion of the acquisition of the additional 46% equity interests in BII ERG on 28 June 2013, the Group's effective interest in BII-ERG increased from 44% to 90%, and BII ERG ceased to be an associate and became a subsidiary of the Group (see Note 24).

Summary financial information on BII ERG, not adjusted for the percentage ownership held by the Group or 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
28 June 2013 (before loss of significant influence)	**205,342**	**147,459**	**57,883**	**264,016**	**7,304**
30 June 2012	183,467	130,285	53,182	74,743	10,130

16 INVESTMENTS IN SUBSIDIARIES

	The Company	
	2013	2012
	HK$'000	HK$'000
Unlisted shares, at cost	**139,475**	40,955

(Expressed in HK$ unless otherwise indicated)

16 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 subsidiaries	Principal activities
ERG Transit Systems (Beijing) Ltd.* 億雅捷交通系統(北京)有限公司	The PRC	Renminbi ("RMB") 12,550,000	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
BII ERG* *(Notes 15 and 24)* 北京京投億雅捷交通科技有限公司	The PRC	RMB20,000,000	90%	–	90%	Transit system software and technology research and development; system integration; provision of technology transfer, training, consulting and services; and sale of developed products
Beijing BII Technology Development Co., Ltd.* 北京京投卓越科技發展有限公司	The PRC	Registered capital of RMB100,000,000 and paid-up capital of RMB48,517,468	100%	–	100%	Network system software and technology research and development; system integration; wholesale of railway traffic equipment and electronic equipment; technology and goods import and export; technical consulting and technical services

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

17 INVENTORIES

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

	The Group	
	2013 HK$'000	2012 HK$'000
Spare parts	**6,413**	1,554
Materials to be assigned to service contracts	**3,627**	–
	10,040	1,554

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

	The Group	
	2013 HK$'000	2012 HK$'000
Carrying amount of inventories sold	**97,055**	20,713

18 TRADE AND OTHER RECEIVABLES

		The Group		The Company	
	Note	**2013 HK$'000**	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Trade receivables due from:	*18(a), (b), (d)*				
– third parties		**90,802**	135,708	**–**	–
– affiliates of equity shareholders of the Company		**92,029**	–	**–**	–
– an affiliate of a non-controlling equity holder of a subsidiary of the Group		**19,581**	–	**–**	–
		202,412	135,708	**–**	–
Gross amount due from customers for contract work:	*18(c)*				
– third parties		**60,936**	46,359	**–**	–
– affiliates of equity shareholders of the Company		**25,629**	2,062	**–**	–
		86,565	48,421	**–**	–
Amounts due from related parties:	*18(e)*				
– equity shareholders of the Company and their affiliates		**1,151**	835	**18**	18
– subsidiaries		**–**	–	**152,097**	33,899
		1,151	835	**152,115**	33,917
Prepayments, deposits and other receivables		**51,868**	8,494	**1,501**	5,349
		341,996	193,458	**153,616**	39,266

Except for retention receivables of HK$1,451,000 (2012: HK$353,000), all of the trade and other receivables are expected to be settled or recognised as expenses within one year.

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Ageing analysis

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 month	**57,314**	97,300
More than 1 month but less than 3 months	**28,385**	3,442
More than 3 months but less than 6 months	**12,361**	6,338
More than 6 months	**104,352**	28,628
	202,412	135,708

The Group's credit policy is set out in Note 26(a).

(b) Trade receivables that are not impaired

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Current	**2,805**	353
Less than 1 month past due	**54,790**	97,261
1 to 3 months past due	**28,385**	3,387
3 to 6 months past due	**12,361**	6,320
More than 6 months past due	**104,071**	28,387
	202,412	135,708

Given the nature of the Group's business, except for retention receivables and certain 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.

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Project contracts in progress

At 30 June 2013, 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$129,025,000 (2012: HK$57,155,000).

(d) Retention receivables

At 30 June 2013, included in trade receivables are retention receivables in respect of project contracts of HK$1,451,000 (2012: HK$353,000).

(e) Amounts due from related parties

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

19 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**207,239**	203,196	**18,966**	166,449

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.

20 TRADE AND OTHER PAYABLES

		The Group		The Company	
		2013	2012	**2013**	2012
	Note	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Trade payables due to:	*20(a)*				
– third parties		**100,099**	24,821	**–**	–
– an associate of the Group		**–**	53,992	**–**	–
– affiliates of an equity shareholder of the Company		**7,272**	6,743	**–**	–
Bills payables		**14,090**	–	**–**	–
		121,461	85,556	**–**	–
Amounts due to related parties:	*20(b)*				
– an affiliate of an equity shareholder of the Company		**8,651**	–	**–**	–
– a subsidiary		**–**	–	**1,351**	250
		8,651	–	**1,351**	250
Other taxes payables		**18,987**	18,139	**–**	–
Accrued expenses and other payables		**5,387**	2,358	**–**	721
		24,374	20,497	**–**	721
Financial liabilities measured at amortised cost		**154,486**	106,053	**1,351**	971
Receipts in advance from:					
– third parties		**3,325**	–	**–**	–
– an affiliate of a non-controlling equity holder of a subsidiary of the Group		**11,896**	–	**–**	–
		15,221	–	**–**	–
		169,707	106,053	**1,351**	971

At 30 June 2013, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

20 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Ageing analysis

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Due within 1 month or on demand	**107,371**	85,556
Due after 1 month but within 6 months	**14,090**	–
	121,461	85,556

(b) Amounts due to related parties

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

21 EQUITY SETTLED SHARE-BASED TRANSACTION

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

For the share options granted on 26 July 2012, 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 share options granted will lapse on 25 July 2017. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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

	Number of instruments	**Vesting conditions**	**Contractual life of options**
Options granted to directors:			
– on 26 July 2012	480,000	One year from the date of grant	5 years
– on 26 July 2012	1,200,000	Two years from the date of grant	5 years
– on 26 July 2012	720,000	Three years from the date of grant	5 years
Options granted to employees:			
– on 26 July 2012	7,360,000	One year from the date of grant	5 years
– on 26 July 2012	18,400,000	Two years from the date of grant	5 years
– on 26 July 2012	11,040,000	Three years from the date of grant	5 years
	39,200,000		

21 EQUITY SETTLED SHARE-BASED TRANSACTION (CONTINUED)

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

	2013	
	Weighted average exercise price	**Number of share options '000**
Outstanding at the beginning of the year	–	–
Granted during the year	**HK$0.656**	**39,200**
Forfeited during the year	**HK$0.656**	**(3,468)**
Outstanding at the end of the year	**HK$0.656**	**35,732**
Exercisable at the end of the year	–	–

The share options outstanding at 30 June 2013 had an exercise price of HK$0.656 and a weighted average remaining contractual life of 4.07 years.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the Black-Scholes Model. The expected life of the share options is used as an input into this model. Expectations of early exercise are incorporated into the Black-Scholes Model.

Fair value of share options and assumptions	
Fair value at measurement date	HK$0.1088 to HK$0.1968
Share price	HK$0.630
Exercise price	HK$0.656
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes Model)	34.83%
Option life (expressed as weighted average life used in the modelling under the Black-Scholes Model)	3.5 years
Expected dividends	Nil
Risk-free interest rate (based on Exchange Fund Notes of Hong Kong)	0.171% to 0.209%

The expected volatility is based on the historical volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share options granted.

22 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2013	2012
	HK$'000	HK$'000
Income tax payable at 1 July	**18,714**	194
Provision for income tax on the estimated taxable profits for the year *(Note 7(a))*	**15,169**	20,373
Addition through acquisition of subsidiaries *(Note 24)*	**42**	–
Income tax paid during the year	**(5,517)**	(1,853)
Income tax payable at 30 June	**28,408**	18,714

(b) Deferred tax assets and liabilities recognised:

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

The Group

	Assets			Liabilities	
Deferred tax arising from:	**Amortisation and depreciation expenses in excess of the tax allowances**	**Accruals**	**Total**	**Fair value adjustments on intangible assets and related amortisation**	**Net**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 July 2011	53	–	53	–	53
Credited to the consolidated statement of profit or loss *(Note 7(a))*	1,858	–	1,858	–	1,858
At 30 June 2012	1,911	–	1,911	–	1,911
Exchange adjustments	68	–	68	–	68
Credited to the consolidated statement of profit or loss *(Note 7(a))*	1,536	–	1,536	–	1,536
Addition through acquisition of subsidiaries *(Note 24)*	–	19	19	(5,111)	(5,092)
At 30 June 2013	3,515	19	3,534	(5,111)	(1,577)

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has not recognised deferred tax assets in respect of unused tax losses of HK$42,334,000 (2012: HK$18,694,000) at 30 June 2013, 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.

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

(d) Deferred tax liabilities not recognised

At 30 June 2013, temporary differences relating to the retained profits of the subsidiaries of the Group established in the PRC amounted to HK$166,835,000 (2012: HK$98,949,000) of which no deferred tax liabilities in respect of the tax that would be payable on the distribution of these profits was provided as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that such profits will not be distributed in the foreseeable future.

23 CAPITAL, RESERVES AND DIVIDENDS/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$'000 *(Note 23(c))*	Share premium HK$'000 *(Note 23(d)(i))*	Capital reserve HK$'000 *(Note 23(d)(ii))*	Accumulated losses HK$'000	Total HK$'000
At 1 July 2011	1	–	40,955	–	40,956
Changes in equity for 2012:					
Total comprehensive income	–	–	–	(12,744)	(12,744)
Issuance of shares	82	42,350	–	–	42,432
Cancellation of original issued shares and re-issuance of new shares	(83)	83	–	–	–
Capitalisation issue	6,000	(6,000)	–	–	–
Issuance of shares by initial public offering	2,000	198,000	–	–	200,000
Share issuance expenses	–	(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
At 1 July 2013	**8,000**	**209,488**	**40,955**	**(12,744)**	**245,699**
Changes in equity for 2013:					
Total comprehensive income	**–**	**–**	**–**	**(14,905)**	**(14,905)**
Distributions approved in respect of the previous year *(Note 23(b)(ii))*	**–**	**(20,000)**	**–**	**–**	**(20,000)**
Issuance of shares *(Note 23(c)(ii))*	**1,542**	**96,118**	**–**	**–**	**97,660**
Equity settled share-based transactions *(Note 21)*	**–**	**–**	**2,252**	**–**	**2,252**
	1,542	**76,118**	**2,252**	**(14,905)**	**65,007**
At 30 June 2013	**9,542**	**285,606**	**43,207**	**(27,649)**	**310,706**

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(b) Dividends/distributions

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

	2013 **HK$'000**	2012 HK$'000
Final dividend/distribution proposed after the end of the reporting period of HK$Nil per ordinary share (2012: HK$0.025 per ordinary share)	**–**	20,000

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

	2013 **HK$'000**	2012 HK$'000
Final distribution in respect of the previous financial year, approved and paid during the year, of HK$0.025 per ordinary share (2012: HK$Nil per ordinary share)	**20,000**	–

(c) Share capital

(i) Authorised and issued share capital

	2013		2012	
	Number of shares	**HK$'000**	Number of shares	HK$'000
Authorised:				
Ordinary shares of HK$0.01 each	**2,000,000,000**	**20,000**	2,000,000,000	20,000
Issued and fully paid:				
At 1 July	**800,000,000**	**8,000**	100	1
Issuance of shares on 6 July 2011	**–**	**–**	10,598	82
Cancellation of original issued shares on 25 November 2011	**–**	**–**	(10,698)	(83)
Re-issuance of shares on 25 November 2011	**–**	**–**	10,698	–
Capitalisation issue	**–**	**–**	599,989,302	6,000
Issuance of shares by initial public offering	**–**	**–**	200,000,000	2,000
Issuance of shares for the acquisition of subsidiaries *(Note 23(c)(ii))*	**154,192,094**	**1,542**	–	–
At 30 June	**954,192,094**	**9,542**	800,000,000	8,000

(Expressed in HK$ unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(c) Share capital (continued)

(ii) Issuance of shares

On 28 June 2013, 154,192,094 ordinary shares of HK$0.01 each were issued as the consideration for the acquisition of the additional 46% equity interests of BII ERG (see Note 24). HK$1,542,000 of the deemed proceeds of these shares (determined based on the closing price of the Company's shares on the Stock Exchange on 28 June 2013, after taken into account the effect of marketability discount of 14%, measured with reference to the put option value using the Black-Scholes option pricing model, for the lock-up period of these shares), representing the par value, were credited to the Company's share capital. The remaining deemed proceeds of approximately HK$96,118,000 were credited to the Company's share premium account.

Upon completion of the issuance of the above ordinary shares, the Company's number of shares in issue increased from 800,000,000 to 954,192,094.

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

Exercise period	Exercise price	2013 Number
26 July 2013 to 25 July 2017	**HK$0.656**	**7,146,400**
26 July 2014 to 25 July 2017	**HK$0.656**	**17,866,000**
26 July 2015 to 25 July 2017	**HK$0.656**	**10,719,600**
		35,732,000

Each share option entitles the holder to subscribe for one ordinary share in the Company. Further details of these share options are set out in Note 21 to the financial statements.

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

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

(iii) Statutory reserves

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

(iv) Exchange reserve

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

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(e) Distributable reserves

At 30 June 2013, the aggregate amount of reserves (including the Company's retained profits, if any, and share premium) available for distribution to equity shareholders of the Company is HK$285,606,000 (2012: HK$209,488,000). The directors of the Company do not recommend the payment of a final dividend for the year ended 30 June 2013 (2012: distribution of HK$0.025 per ordinary share).

(f) 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/distributions. Adjusted capital comprises all components of equity less unaccrued proposed dividends/distributions.

During the year ended 30 June 2013, the Group's strategy was to maintain the adjusted debt-to-capital ratio at a level similar to 2012. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends/distributions paid to equity shareholders, issue new shares, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted debt-to-capital ratio at 30 June 2013 and 2012 is as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Trade and other payables	**169,707**	106,053
Add: proposed dividends/distributions	–	20,000
Adjusted debt	**169,707**	126,053
Total equity	**489,352**	339,814
Less: proposed dividends/distributions	–	(20,000)
Adjusted capital	**489,352**	319,814
Adjusted debt-to-capital ratio	**34.7%**	39.4%

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(f) Capital management (continued)

	The Company	
	2013	2012
	HK$'000	HK$'000
Accrued expenses	**1,351**	971
Add: proposed dividends/distributions	**–**	20,000
Adjusted debt	**1,351**	20,971
Total equity	**310,706**	245,699
Less: proposed dividends/distributions	**–**	(20,000)
Adjusted capital	**310,706**	225,699
Adjusted debt-to-capital ratio	**0.4%**	9.3%

24 ACQUISITION OF SUBSIDIARIES

On 28 June 2013, the Group acquired the 100% equity interests of Innovation Holding Co., Ltd. ("Innovation"), which holds 46% equity interests in BII ERG, with the consideration being the Company's issuance of 154,192,094 ordinary shares.

Upon completion of the above acquisition, the Group holds 100% equity interests in Innovation and the Group's effective interest in BII ERG increased from 44% to 90%. BII ERG ceased to be an associate and became a subsidiary of the Group. Accordingly, a gain of HK$1,795,000 on the remeasurement to fair value of the pre-existing 44% equity interests in BII ERG was recognised. The directors of the Company consider the acquisition of Innovation will benefit the Group by (i) enriching the Group's capabilities in the design and provision of application solutions; and (ii) enabling the Group to capture certain potential market opportunities.

24 ACQUISITION OF SUBSIDIARIES (CONTINUED)

The identifiable assets acquired and liabilities assumed in the above acquisition (not adjusted for the percentage of ownership interest held by the Group) were as follows:

	Pre-acquisition carrying amounts HK$'000	Fair value adjustments HK$'000	Recognised values on the acquisition HK$'000
Property, plant and equipment *(Note 12)*	634	–	634
Intangible assets *(Note 13)*	155	20,443	20,598
Deferred tax assets *(Note 22(b))*	19	–	19
Inventories	8,148	–	8,148
Trade and other receivables	184,382	–	184,382
Cash and cash equivalents	12,004	–	12,004
Trade and other payables	(147,417)	–	(147,417)
Current taxation *(Note 22(a))*	(42)	–	(42)
Deferred tax liabilities *(Note 22(b))*	–	(5,111)	(5,111)
Net fair value of the identifiable assets acquired and liabilities assumed in the acquisition	57,883	15,332	73,215
Fair value of the ordinary shares in the Company issued as consideration *(Note 23(c)(ii))*			97,660
Fair value of non-controlling interests			6,097
Fair value of the previously held 44% equity interests in BII ERG			26,826
Total consideration			130,583
Less: net fair value of the identifiable assets acquired and liabilities assumed			(73,215)
Goodwill *(Note 14)*			57,368
Cash and cash equivalents acquired			12,004

Pre-acquisition carrying amounts of the acquirees' assets and liabilities were determined based on applicable IFRSs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values. In determining the fair values of intangible assets, the directors of the Company have referenced the fair value adjustment to valuation report issued by an independent valuer. The valuation method adopted for intangible assets was the multi-period excess earnings method.

From the date of the above acquisition to 30 June 2013, the above acquisition did not contribute any profit to the Group for the year ended 30 June 2013. Had the above acquisition been occurred on 1 July 2012, the directors of the Company estimate that the consolidated turnover and consolidated net profit for the year ended 30 June 2013 would have been HK$453,907,000 and HK$61,598,000, respectively.

25 OPERATING LEASE COMMITMENTS

At 30 June 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2013	2012
	HK$'000	HK$'000
Within 1 year	**2,472**	2,472
After 1 year but within 5 years	**473**	4,009
	2,945	6,481

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.

26 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 month from the date of billing may be granted to customers, depending on credit assessment carried out by management on an individual customer basis. Credit terms of one to three years may be granted to customers for retention receivables. Normally, the Group does not obtain collateral from customers.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 30 June 2013, 45% (2012: 27%) of the trade receivables were due from the Group's largest debtor, and 78% (2012: 89%) of the trade receivables were due from the Group's five largest debtors.

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 18.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(b) Liquidity risk

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

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

The Group

	2013		2012	
	Contractual undiscounted cash outflow within 1 year or on demand HK$'000	**Carrying amount HK$'000**	Contractual undiscounted cash outflow within 1 year or on demand HK$'000	Carrying amount HK$'000
Trade and other payables measured at amortised cost	**154,486**	**154,486**	106,053	106,053

The Company

	2013		2012	
	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	**1,351**	**1,351**	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 2013 and 2012.

(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 2013 and 2012, 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.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (CONTINUED)

(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 2013 and 2012.

27 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

	2013	2012
	HK$'000	HK$'000
Provision of design and implementation of application solution services	**1,601**	4,227
Technical service costs	**2,411**	189
Software development costs	**1,400**	8,090
Net increase in advances granted	**258**	835
Net decrease in advances received	**–**	(9,377)

(b) Transactions with an associate of the Group

	2013	2012
	HK$'000	HK$'000
Sales of application solution software	**977**	–
Technical service costs	**2,316**	2,376
Software development costs	**–**	49,558
Purchases of application solution related hardware and spare parts	**75,060**	–
Net increase/(decrease) in advances granted	**13,053**	(5,065)

(c) Transactions with subsidiaries of the Group

	2013	2012
	HK$'000	HK$'000
Net increase in advances granted	**118,198**	33,899
Net increase in advances received	**1,101**	250

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(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 8 and certain of the highest paid employees of the Group as disclosed in Note 9, is as follows:

	2013	2012
	HK$'000	HK$'000
Short-term employee benefits	**6,911**	5,687
Retirement scheme contributions	**129**	39
Equity compensation benefits	**651**	–
	7,691	5,726

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

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

For the year ended 30 June 2013, the related party transactions in respect of the provision of design and implementation of application solution services to, and the receiving of technical service and software development service from affiliates of equity shareholders of the Company disclosed above constitute connected transactions or continuing connected transactions as defined in Chapter 20 of the Listing Rules. The disclosures required by Chapter 20 of the Listing Rules are provided in sections "Connected transactions" and "Non-exempt connected transactions and continuing connected transactions" of the Directors' Report.

28 IMMEDIATE AND ULTIMATE HOLDING COMPANY

The directors of the Company consider the immediate and ultimate holding company of the Company at 30 June 2013 to be More Legend Limited, which is incorporated in the British Virgin Islands. This entity does not produce financial statements available for public use.

(Expressed in HK$ unless otherwise indicated)

29 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2013

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 2013 and which have not been adopted in these financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
IFRS 10, *Consolidated financial statements*	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
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 Interests in other entities – Transition guidance*	1 January 2013
Annual improvements to IFRSs 2009 – 2011 Cycle	1 January 2013
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	1 January 2014
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to IAS 36, *Impairment of assets – Recoverable amount disclosures for non-financial assets*	1 January 2014
IFRS 9, *Financial instruments*	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 these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements except for the following:

IFRS 10, Consolidated financial statements

IFRS 10 replaces the requirements in IAS 27, *Consolidated and separate financial statements,* relating to the preparation of consolidated financial statements and SIC 12, *Consolidation – Special purpose entities.* It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

The application of IFRS 10 is not expected to change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Group's existing policies or vice versa.

29 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30 JUNE 2013 (CONTINUED)

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in IFRS 12 are generally more extensive than those required in the current standards. The Group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time.

IFRS 13, Fair value measurement

IFRS 13 replaces existing guidance in individual IFRSs with a single source of fair value measurement guidance. IFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. IFRS 13 is effective as from 1 January 2013, but retrospective adoption is not required. The Group estimates that the adoption of IFRS 13 will not have any significant impact on the fair value measurements of its assets and liabilities, but additional disclosures may need to be made in the 2014 financial statements.

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