中國城市軌道交通科技控股

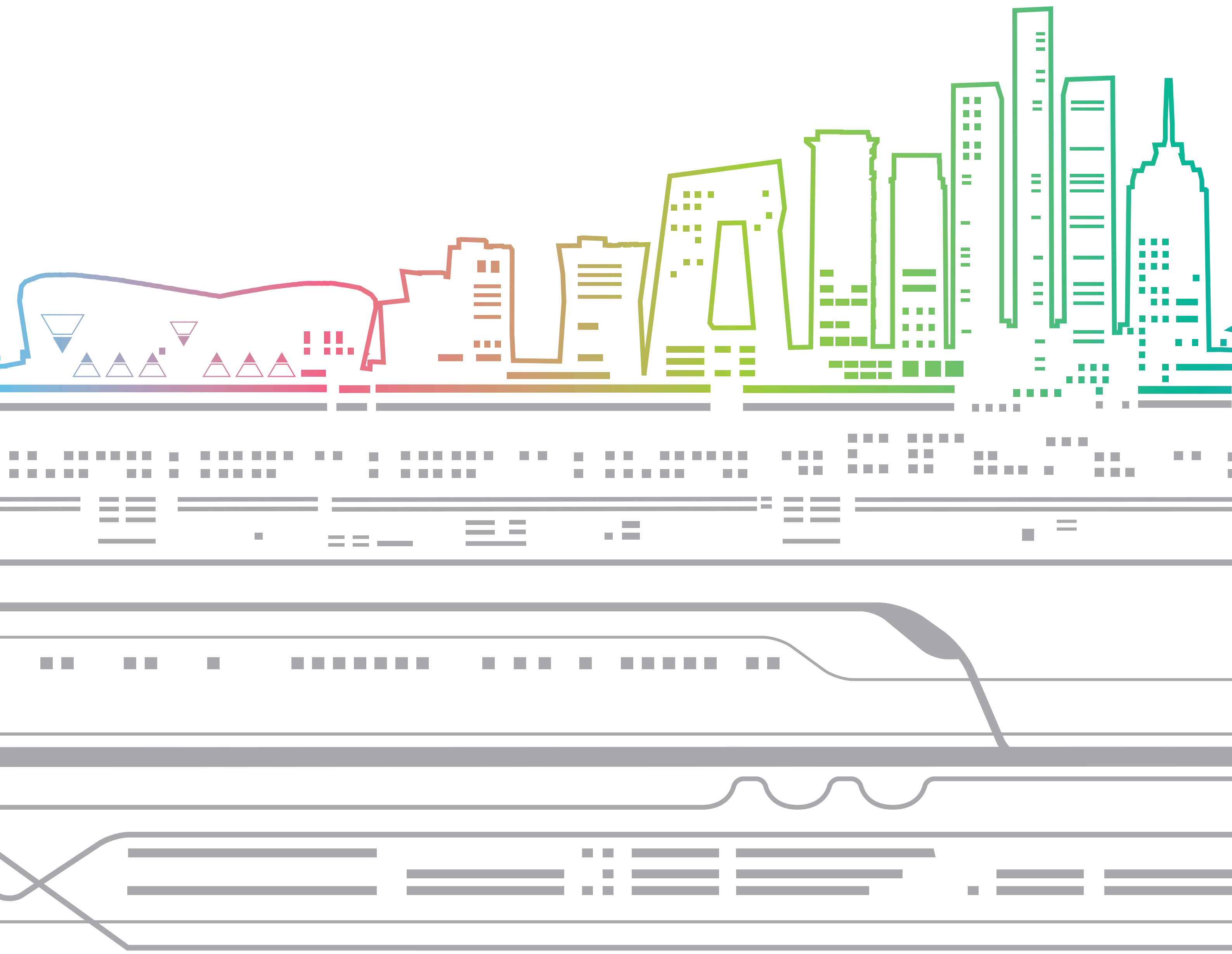
CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

China City Railway Transportation Technology Holdings Company Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1522

ANNUAL REPORT 2014



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Corporate Information

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. Cao Wei *(Chief executive officer)*
Ms. Xuan Jing (appointed on 27 June 2014)
Mr. Shao Kai (appointed on 4 March 2015)
Mr. Chen Rui (resigned on 1 June 2014)

NON-EXECUTIVE DIRECTORS

Dr. Tian Zhenqing *(Chairman)*
Mr. Hao Weiya (appointed on 6 August 2013)
Mr. Zhang Jie (appointed on 27 June 2014)
Mr. Steven Bruce Gallagher (resigned on 13 October 2014)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bai Jinrong
Mr. Luo Zhenbang *CPA*
Mr. Huang Lixin (appointed on 9 July 2014)
Mr. Hu Zhaoguang (resigned on 9 July 2014)

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)*
Mr. Bai Jinrong
Mr. Huang Lixin (appointed on 9 July 2014)
Mr. Hu Zhaoguang (resigned on 9 July 2014)

REMUNERATION COMMITTEE

Mr. Bai Jinrong *(Chairman)*
Mr. Cao Wei
Mr. Huang Lixin (appointed on 9 July 2014)
Mr. Hu Zhaoguang (resigned on 9 July 2014)

NOMINATION COMMITTEE

Dr. Tian Zhenqing *(Chairman)*
Mr. Bai Jinrong
Mr. Huang Lixin (appointed on 9 July 2014)
Mr. Hu Zhaoguang (resigned on 9 July 2014)

AUDITORS

KPMG

LEGAL ADVISERS TO THE COMPANY

Chiu & Partners

PRINCIPAL BANKER

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
Level 22, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

WEBSITE

www.ccrtt.com.hk

STOCK CODE

1522

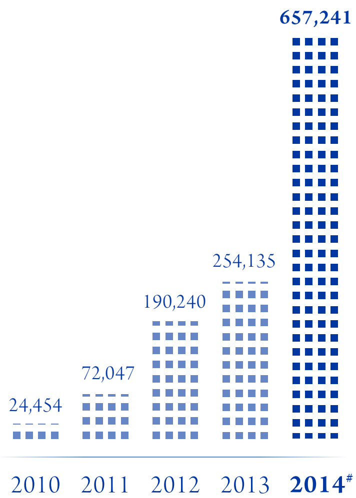
Financial Highlights

	For the eighteen months ended 31 December 2014	For the year ended 30 June 2013	2012	2011	2010
Key Profit or Loss Items (HK$ Thousand)					
Revenue	**657,241**	254,135	190,240	72,047	24,454
Gross profit	**233,369**	98,143	133,837	44,803	12,034
Profit attributable to equity shareholders of the Company	**65,042**	59,042	80,715	40,470	4,948

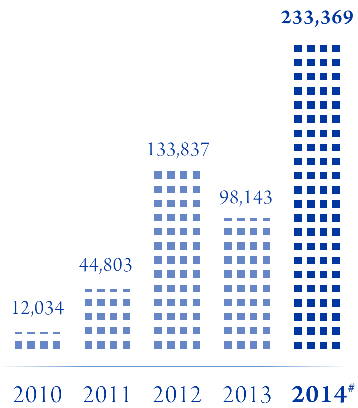
	As at 31 December 2014	As at 30 June 2013	2012	2011	2010
Key Statement of Financial Position Items (HK$ Thousand)					
Non-current assets	**283,817**	133,303	66,373	19,736	10,829
Current assets	**1,142,768**	559,275	398,208	66,385	12,906
Total liabilities	**426,999**	203,226	124,767	45,165	1,610
Equity attributable to equity shareholders of the Company	**985,621**	483,255	339,814	40,956	22,125

Financial Year	**2014**	2013	2012	2011	2010
Return to shareholders					
Earnings per share					
– Basic (HK$ cent)	**6.0**	7.4	12.9	8.4	n/a*
– Diluted (HK$ cent)	**5.9**	7.3	n/a	n/a	n/a*

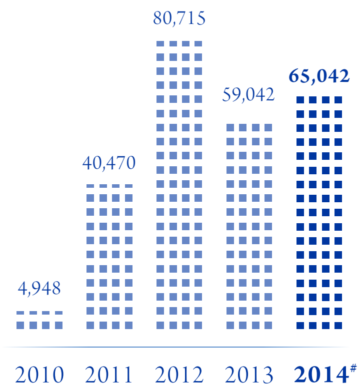
Revenue (HK$ Thousand)



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

\# For the eighteen months ended 31 December 2014

Chairman's Statement

On behalf of the board (the "Board") of directors (the "Directors") of China City Railway Transportation Technology Holdings Company Limited (the "Company"), I am pleased to present the annual results of the Company and its subsidiaries (together referred to as the "Group") for the eighteen months ended 31 December 2014. This report covers a period of eighteen months from 1 July 2013 to 31 December 2014 due to the change of financial year end date from 30 June to 31 December as set out in the Company's announcement dated 25 February 2014.

Tian Zhenqing, *Chairman*

RESULTS

For the eighteen months ended 31 December 2014, the Group recorded revenue of approximately HK$657.2 million, representing an increase of approximately HK$403.1 million or 158.6% over approximately HK$254.1 million for the twelve months ended 30 June 2013. Profit attributable to equity shareholders of the Company for the eighteen months ended 31 December 2014 amounted to approximately HK$65.0 million, representing an increase of approximately HK$6.0 million or 10.2% over approximately HK$59.0 million for the twelve months ended 30 June 2013.

DIVIDENDS

The Board did not recommend the payment of any dividend for the eighteen months ended 31 December 2014 (Year ended 30 June 2013: Nil). The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

BUSINESS OVERVIEW

As at 31 December 2014, the issued share capital of the Group was increased to 1,305,975,669 shares. On 10 June 2014, the Group issued 248,804,313 new shares to Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK"), with a two-year lock-up period. As a result, as of 31 December 2014, Beijing Infrastructure Investment Co., Ltd. ("BII") raised its indirect shareholding in the Company from approximately 24.50% as at 30 June 2013 to approximately 37.05%, becoming the largest shareholder of the Company. The Group also became the sole overseas holding listed Company of BII, officially becoming a state-owned enterprise. Meanwhile, a total of 83,887,262 placing shares were allotted and issued by the Group to China Life Franklin Asset Management Co., Limited, LBN China + Opportunity Master Fund, Asian Opportunities Absolute Return Fund Limited and Pacific Alliance Asia opportunity Fund L.P. (collectively, the "**Placees**") with a one-year lock-up period.

BII HK is a wholly-owned subsidiary of BII, a renowned state-owned enterprise in China. BII was established by the State-owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality and is engaged in investment and financing, preliminary planning, capital operation and related resource development and management of infrastructure projects in Beijing. Being an influential wholly state-owned company in China, the total assets of BII currently amounted to approximately RMB327 billion. Not only does the subscription allow both parties to jointly explore new development and investment opportunities to create mutual benefits, it also lays the foundation for the Group to capitalise on the opportunities arising from the Chinese government's development of infrastructure. The four funds that were allotted with new shares are among the elite Hong Kong Institutional Investors. The placing with a lock-up period reflects the high degree of recognition and optimism of institutional investors in the future development of the Group. Please refer to the paragraph headed "Placing and subscription of new shares" in the section headed "Connected Transactions" in the Directors' Report for more details.

On 8 July 2014, the Group announced that it would acquire the civil communication transmission systems and the respective income rights of BII's 82 underground stations of the seven subway lines of the Beijing Subway (including Line 5, Phase 1 of Line 10 (including the Olympic sub-line), Phase 1 of Line 15, Line 8 (north section), Line 9, Yizhuang Line and Daxing Line of the Beijing Subway) and the civil communication income rights of the three stations of the airport line of the Beijing Subway, and also acquire the rights and controlling rights of the relevant assets, and accordingly, the rights and obligations under certain underlying contracts. Meanwhile, BII, the substantial shareholder, undertakes to transfer the fixed assets and the income rights to be derived from the civil communication transmission systems for other lines of the Beijing Subway in which BII has invested in construction but yet to be completed and settled as at the date of the Acquisition Agreement (as defined below) at an appropriate time at a reasonable consideration to the Group. BII also undertakes that it shall not engage in any business or activity similar to or which competes directly or indirectly or may compete with the civil communication business of the Group. In respect of the future civil communication business, the Group may invest and construct as it deems appropriate, thus placing it in an advantageous position when negotiating with operators regarding resource usage agreements and cooperative business agreements in the future. The acquisition was completed on 27 September 2014.

The subway civil communication business mainly involves the provision of civil communication coverage for telecommunication operators within the subway system, the mobile phone network operators may provide information services to customers through leasing civil communication system equipment, allowing passengers to gain proper access to the mobile communication equipment within the subway system. The additional subway civil communication business broadens the business scope of the Group. The new light asset subway business, in addition to the Group's city railway transportation system, would bring stable income to the Group in the future with a bright prospect.

As at 31 December 2014, since its acquisition of 北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Company Limited*) ("**BII ERG**"), the Group has been dedicated to raising the Group's overall capabilities in designing and providing application solutions both at line-level and network-level in order to integrate the systems at these two levels more efficiently and ensuring their compatibility, and also be able to maintain and manage these systems more efficiently and improve their overall competitiveness, so that the Group will be able to provide a better and wider range of services to our existing customers.

PROSPECTS

With rapid economic development, population increase and severe environmental pollution in China, the Chinese government will vigorously develop urban public transport systems. Of which, urban railway construction, the vastly beneficial and most efficient way to relieve urban traffic issues, possesses the greatest potential for development. As 2015 is the last year of the 12th Five-Year Plan, it is expected that Beijing will make a strong effort to meet its target of 660 kilometres of railways with 29 routes by the end of 2015; by the end of 2014, Beijing has constructed 21 subway routes with a total length of 527 kilometres.

As one of the major suppliers of railway transportation systems in Beijing, the Group will adhere to the principle of "innovation, pragmatism and integrity" and undertake building intelligent and professional railway transportation systems as its duty, and 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. 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. The Group expects to bring its extensive experience obtained in Beijing, its operation models and products to China's second-tier or third- tier and fourth-tier cities through business development. In the coming year, the Group would not exclude the possibility of acquisition and merger of relevant superior business, so as to enhance our reputation and increase the sources of revenue.

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, 25 March 2015

OPERATION REVIEW

For the eighteen months ended 31 December 2014, our business operation remained focused on four business segments namely, (i) design and implementation of application solution service; (ii) maintenance of application solution service; (iii) sales of application solution software; and (iv) sales of application solution related hardware and spare parts. However, following the acquisition of the civil communication assets as disclosed in the announcement of our Company dated 8 July 2014, our Group expanded our business operation into a new business segment, the civil communication transmission system leasing service. Discussion on each of the five business segments is set out below:

DESIGN AND IMPLEMENTATION OF APPLICATION SOLUTION SERVICE

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

Benefited from the Chinese government policies to relieve urban traffic issues in China, the rapid growth in demand for subway service in Beijing (average approximately 9.3 million passengers per day in 2014) and the recent ticket pricing reform of Beijing Subway (from a fixed fare of RMB2 yuan per ride to a variable fare based on distance per ride), our Group had won certain major design and implementation of application solution service projects offered for tender during the eighteen months ended 31 December 2014, including the Beijing Subway ticket reform project, the new Multiple Line Centre ("**MLC**") project for Beijing MTR Corporation Limited, the Beijing Subway multiple line Passenger Information System ("**PIS**") project, and the automated fare collection clearing centre system ("**ACC System**") and traffic control centre system ("**TCC System**") integration project for new subway lines in Beijing. Apart from Beijing, the Group had also won tenders to undertake certain automatic fare collection ("**AFC**") projects for MTR Corporation Ltd. in Hong Kong.

MAINTENANCE OF APPLICATION SOLUTION SERVICE

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

For the eighteen months ended 31 December 2014, our Group continued to provide the Octopus system maintenance service to Kowloon Motor Bus Company (1933) Limited, Citybus Limited, New World First Bus Services Limited and New World First Ferry Services Limited in Hong Kong. While in Beijing, apart from the existing ACC system and TCC system maintenance contracts, our Group had won certain new maintenance service contracts in relation to the systems previously constructed by our Group upon the expiration of the warranty period.

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.

The continuous development and reform of Beijing Subway had generated a fairly good demand for our software products. For the eighteen months ended 31 December 2014, our Group had developed a railway transportation asset management information system software to diversify our existing software product supplies.

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.

The rapid development of railway transportation in China had created numerous business opportunities for related service providers, particularly in Beijing, 16 subway lines with a total distance of approximately 473.5 kilometres had been constructed and put into service since 2002 and the number of average daily passenger surged from approximately 1.3 million per day in 2002 to approximately 9.3 million passengers per day in 2014. The stunning growth rate of Beijing Subway in terms of construction of new subway line and passenger ridership led to huge demand for application solution related hardware and spare parts for construction, repair and maintenance, improvement and modification of the Beijing Subway system. As such, during the eighteen months ended 31 December 2014, our Group won a number of tenders from Beijing Subway for the sale of application solution related hardware and spare parts including a major project for the partial modification and upgrade of the Beijing Subway AFC system.

CIVIL COMMUNICATION TRANSMISSION SYSTEM LEASING SERVICE

Civil communication transmission system leasing service represents, among others, the leasing of the communication transmission system for mobile operators.

As disclosed in the announcement of our Company dated 29 September 2014, our Company had completed the acquisition of the civil communication assets involving eight subway lines of Beijing Subway, which include (i) the fixed assets in relation to the civil communication transmission facilities of seven subway lines of Beijing Subway and the income rights therefrom; and (ii) the income rights in relation to the civil communication transmission facilities of the airport line of the Beijing Subway. This business will provide a stable rental income stream for the Group. Please refer to the section headed "Connected Transactions" below for more details.

FINANCIAL REVIEW

REVENUE

The Group recorded an increase in revenue for the eighteen months ended 31 December 2014 of HK$403.1 million, or 158.6%, to HK$657.2 million (Year ended 30 June 2013: HK$254.1 million). The substantial increase was partially attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2013.

Discussion on each of the business segments is set out below:

Design and implementation of application solution service

The Group's revenue arising from design and implementation of application solution service segment increased by approximately 205.8% from approximately HK$95.3 million for the twelve months ended 30 June 2013 to approximately HK$291.4 million for the eighteen months ended 31 December 2014. Such increases were largely attributable to the provision of the Beijing Subway ticket reform project, the new MLC project for Beijing MTR Corporation Limited, the Beijing Subway multiple line PIS project, and the ACC System and the TCC System integration project for new subway lines in Beijing.

Maintenance of application solution service

The Group's revenue arising from maintenance of application solution service segment increased by approximately 54.9% from approximately HK$64.1 million for the twelve months ended 30 June 2013 to approximately HK$99.3 million for the eighteen months ended 31 December 2014. Such increases were primarily attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2013 and the winning of a number of new maintenance services contracts in relation to the systems previously constructed by the Group upon the expiration of the warranty period.

Sales of application solution software

The Group's revenue arising from the sales of application solution software segment increased by approximately 224.8% from approximately HK$11.3 million for the twelve months ended 30 June 2013 to approximately HK$36.7 million for the eighteen months ended 31 December 2014. Such increase was mainly attributable to the provision of software modification service in relation to the AFC system upgrade for existing subway lines in Beijing and partly attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2013.

Sales of application solution related hardware and spare parts

The Group's revenue arising from the sales of application solution related hardware and spare parts segment increased by approximately 157.4% from approximately HK$83.5 million for the twelve months ended 30 June 2013 to approximately HK$214.9 million for the eighteen months ended 31 December 2014. Such growth was mostly attributable to the sales of hardware and spare parts in relation to AFC system upgrade for existing subway lines in Beijing.

Civil communication transmission system leasing service

The Group's revenue arising from civil communication transmission system leasing service segment was approximately HK$14.9 million. This business segment had only been established after the acquisition of the civil communication assets involving eight subway lines of Beijing Subway, which include (i) the fixed assets in relation to the civil communication transmission facilities of seven subway lines of Beijing Subway and the income rights therefrom; and (ii) the income rights in relation to the civil communication transmission facilities of the airport line of the Beijing Subway, therefore, the reported revenue of HK$14.9 million only represented four months' rental income.

COST OF SALES

The Group's cost of sales increased by approximately 171.7% from approximately HK$156.0 million for the twelve months ended 30 June 2013 to approximately HK$423.9 million for the eighteen months ended 31 December 2014. The rise in cost of sales was primarily attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2013 and coupled with the increase in hardware procurement costs arising from the sales of hardware and spare parts in relation to AFC System upgrade for existing subway lines in Beijing during the reporting period.

GROSS PROFIT

The Group's gross profit increased by approximately 137.9% from approximately HK$98.1 million for the twelve months ended 30 June 2013 to approximately HK$233.4 million for the eighteen months ended 31 December 2014. The growth in gross profit was largely attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2013 and also due to the increase in number of maintenance services and software oriented projects awarded to the Group during the eighteen months ended 31 December 2014 as compared to the twelve months ended 30 June 2013. The cost of sales related to maintenance services and software oriented projects was mainly internal labour costs which were relatively lower than other services and projects that required third party procurement, thus generated relatively higher gross profit.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Group's selling, general and administrative expenses increased by approximately 293.2% from approximately HK$33.9 million for the twelve months ended 30 June 2013 to approximately HK$133.3 million for the eighteen months ended 31 December 2014. The rise in selling, general and administrative expenses was mainly attributable to the increase in selling, general and administrative expenses due to the consolidation of the financial results of BII ERG into the consolidated financial results of the Group for the eighteen months ended 31 December 2014 following completion of the acquisition of Innovation Holding Co., LTD. on 28 June 2013 (further information regarding the acquisition was disclosed in the announcements of the Company dated 8 May 2013 and 28 June 2013 and the circular of the Company dated 7 June 2013). Furthermore, the increase in overheads of other business generating subsidiaries due to expansion of business, particularly staff costs and office rental expenses, the increase in depreciation and amortisation expenses as a result of the acquisition of the civil communication assets, and the extension of the current reporting period from twelve months to eighteen months due to the change of financial year end date, had further increased the selling, general and administrative expenses for the eighteen months ended 31 December 2014 as compared to that of the twelve months ended 30 June 2013.

PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The Group's profit attributable to equity shareholders of the Company increased by approximately 10.2% from approximately HK$59.0 million for the twelve months ended 30 June 2013 to approximately HK$65.0 million for the eighteen months ended 31 December 2014. Such growth was mainly attributable to an extended accounting period of eighteen months currently being reported on when compared with the previous period of twelve months ended 30 June 2013, however, the effect of which was partially offset by the increase in selling, general and administrative expenses during the eighteen months ended 31 December 2014 when compared with that for the twelve months ended 30 June 2013.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

Capital structure

As at 31 December 2014, the Company's total number of issued shares was 1,305,975,669 ordinary shares of HK$0.01 each (30 June 2013: 954,192,094 ordinary shares of HK$0.01 each). Details of the changes in the share capital and capital risk management of the Company during the eighteen months ended 31 December 2014 are set out in Note 23 to the financial statements.

Cash position

As at 31 December 2014, the Group's cash and bank balances were approximately HK$528.0 million (30 June 2013: approximately HK$207.2 million).

Bank borrowing and charges on the Group's assets

As at 31 December 2014, the Group has no bank borrowings and charges on assets.

Working capital and gearing ratio

As at 31 December 2014, the Group had current assets of approximately HK$1,165.6 million (30 June 2013: approximately HK$559.3 million), while its current liabilities was approximately HK$408.8 million (30 June 2013: approximately HK$198.1 million), resulting in net current assets of approximately HK$756.8 million (30 June 2013: approximately HK$361.2 million). Current ratio as at 31 December 2014, calculated based on current assets divided by current liabilities was approximately 2.9 (30 June 2013: approximately 2.8).

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 31 December 2014, 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 (30 June 2013: 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 31 December 2014, 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

As disclosed in the announcement of the Company dated 29 September 2014, the Company had completed the acquisition of the civil communication assets (民用通信資產) involving eight subway lines of Beijing Subway, which include (i) the fixed assets in relation to the civil communication transmission facilities of seven subway lines of Beijing Subway and the income rights therefrom; and (ii) the income rights in relation to the civil communication transmission facilities of the airport line of the Beijing Subway. Please refer to the section headed "Connected Transactions" below for more details.

Save as disclosed, there were no significant investments held, material acquisition or disposal of subsidiaries and affiliated companies during the eighteen months ended 31 December 2014. 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 31 December 2014.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2014, the Group employed a total of 270 (30 June 2013: 190) employees. The staff costs, including Directors' remuneration, were approximately HK$111.2 million (Year ended 30 June 2013: HK$28.1 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 and revised on 24 September 2013 ("**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 eighteen months ended 31 December 2014 (Year ended 30 June 2013: Nil). The Group will retain cash to finance the continuing development of its business as well as prospective investment opportunities.

BUSINESS OUTLOOK

For the Group's 2015 financial year, according to the 12th Five-Year Plan of Beijing, it is expected that multiple new railway lines will need to 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 phase two of the ticket improvement project of Beijing Subway, full reconstruction of automated fare collection system ("**AFC**") for Beijing Subway, construction of AFC system for new lines, construction project of subway platform doors, construction and reconstruction of passenger information system ("**PIS**") system, and construction of the passenger information system control centre system ("**PCC**").

In the 2015 financial year, the Group will focus on the development of the civil communication business, and implement the 4G contracts for the eight existing lines entered with three operators, fully expanding the 4G business. Also, the investment, construction and fee charging model of new lines will be confirmed as soon as possible. We will also follow technological development trends in the communications field, such as 4G, 5G and 5.8G technologies. We will also research the development trends of the internet in order to establish a development model which accommodates the characteristics of subways. We will also acquire the civil communication assets of other lines which have already been completed and settled by BII in 2015.

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, hereby providing guidance for our R&D work and forming 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.

COMPARISON OF 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 eighteen months ended 31 December 2014. 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 2014 as set out in the Prospectus	**Actual business progress up to 31 December 2014**
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 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%. The Group will continue to look for other appropriate investment opportunities.
• Acquisition of/investment in application solution company(ies) in the PRC	The Group had increased its stake in its former associated company, BII ERG, an application solution company in the PRC, from 44% to 90%. The Group will continue to look for other appropriate investment opportunities.
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 all 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, IC card metering system software for waste disposal facilities and ACC integration detection software.
• 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 has developed a PCC system application solutions software and obtained the Computer Software Copyright Registration Certificates from the National Copyright Administration of the PRC.
Enhancing our customer base	
• Expansion of our customer base by the Group through participation in industry promotional events and other marketing activities	The Group has participated in a number of industry related exhibitions 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 of the shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") ("**Listing**") on 16 May 2012 ("**Listing Date**"). Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

During the period from the Listing Date to 31 December 2014, 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 2014 HK$ million	**Actual use of proceeds from the Listing Date to 31 December 2014 HK$ million**
Expand our business	112.1	–
Enhance our expertise and technical know-how on development of new application solutions	19.3	19.3
Enhancing our reputation	19.3	19.3
Enhancing our customer base	6.9	6.9
Working capital	17.5	17.5
	175.1	63.0

Note: Actual use of proceeds was lower as compared to the adjusted net proceeds were mainly due to i) the Group was still looking for opportunities to acquire an appropriate TCC system application solutions provider; and ii) the investment made over the period was settled by issuance of new shares instead of cash, 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 51, is our Chief Executive officer and executive Director. Mr. Cao concurrently serves as the director of Great Legend Development Limited, China City Railway Transportation Technology Investment Company Limited, Beijing City Railway Holdings Company Limited, Innovation Holding Co., LTD., ERG Transit Systems (HK) Limited, 億雅捷交通系統(北京)有限公司(ERG Transit Systems (Beijing) Limited*)("**ERG BJ**"), 北京京投卓越科技發展有限公司(Beijing BII Technology Development Company Limited*)("**BII Zhuoyue**"), and北京京投億雅捷交通科技有限公司(Beijing BII-ERG Transportation Technology Company Limited*)("**BII ERG**"), each a subsidiary of the Group. 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 20.64% 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 (Hong Kong) Limited ("**Beijing Development**"), (a company listed on the Main Board of the Stock Exchange (Stock Code: 154)) in 2001. From 2005 to 2010, Mr. Cao was an executive director and vice president of Beijing Development. 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.

XUAN Jing (宣晶), Ms. Xuan, aged 41, was appointed as the executive Director on 27 June 2014. Ms. Xuan graduated from Tianjin University (天津大學) in the People's Republic of China in July 1995 with a Bachelor's degree of Engineering majoring in engineering management and obtained a Master's degree of Business Administration from Nankai University (南開大學) in March 2001. In November 2003, Ms. Xuan was qualified as an intermediate economist approved by Beijing Intermediate Specialised Technique Qualification Evaluation Committee (北京市中級專業技術職務評審委員會). During the period from July 1995 to September 1998, Ms. Xuan acted as the project manager of 長實國際(天津)集團公司 (Changshi International (Tianjin) Group Limited*). From March 2001 to November 2007, Ms. Xuan acted as the deputy manager of the finance department of 神州數碼(中國)有限公司 (Digital China (China) Ltd.*). During the period from November 2007 to May 2010, Ms. Xuan served as the secretary to the board of directors and the general manager of the development department of 北京神州金信科技股份有限公司 (Beijing Jinxin Technology Co., Ltd*). In May 2010, Ms. Xuan was appointed as the assistant to the manager and subsequently appointed as deputy manager of the investment management department of BII. Ms. Xuan is also the manager of the investment management department of BII. Ms. Xuan concurrently serves as the director of BII Zhuoyue and ERG BJ, each a subsidiary of the Group.

SHAO Kai (邵凱), Mr. Shao, aged 50, Senior Engineer, graduated from 上海鐵道學院 (Shanghai Railway College*) with a Bachelor's degree majoring in Railway Signal in July 1985. Mr. Shao obtained a Master's degree in business administration from Asia International Open University (Macau) in September 2003. From July 1985 to November 1996, Mr. Shao successively served as trainee, assistant engineer and engineer of 中國鐵路通信信號股份有限公司 (China Railway Signal & Communication Co., Ltd*). From November 1996 to November 2002, Mr. Shao successively served as senior engineer, chief engineer and head of 北京全路通信信號研究設計院信號研究設計所 (The Signal Research & Design Department of Beijing National Railway Research & Design Institute of Signal & Communication*). From November 2002 to November 2010, Mr. Shao served as deputy director of 北京全路通信信號研究設計院(「**北京通號院**」) (Beijing National Railway Research & Design Institute of Signal & Communication*), and concurrently served as its secretary to the Party committee from January 2004 to November 2010. From November 2010 to May 2012, Mr. Shao served as the director and the secretary to the Party committee of 北京全路通信信號研究設計院有限公司 (Beijing National Railway Research & Design Institute of Signal & Communication Co., Ltd.*). From April 2003 to February 2005, Mr. Shao concurrently served as director of 北京通號院上海分院 (Beijing National Railway Research & Design Institute of Signal & Communication Shanghai Branch*). From April 2008 to September 2009, Mr. Shao concurrently served as general manager of 中國鐵路通信信號集團公司城市軌道交通分公司 (China Railway Signal & Communication Co., Ltd. Urban Mass Transit Branch*). From September 2009 to May 2010, Mr. Shao concurrently served as general manager, Party general branch committee member and secretary to the Party general branch of 北京城市軌道交通分公司 (Beijing Urban Mass Transit Branch*). From May 2010 to May 2012, Mr. Shao concurrently served as president of 北京通號國鐵城市軌道技術有限公司(「**通號城軌技術有限公司**」) (Beijing Urban Transit Technology Co., Ltd.*), and had respectively served as its deputy secretary to the Party general branch and deputy secretary to the Party committee during the period. From May 2012 to November 2014, Mr. Shao served as the president and deputy secretary to the Party committee of 通號城軌技術有限公司, and concurrently served as its general manager from March 2013 to November 2014. Mr. Shao is also the executive deputy general manager of the Company and chief expert of BII.

CHAIRMAN AND NON-EXECUTIVE DIRECTORS

TIAN Zhenqing (田振清), Dr. Tian, aged 49, is the chairman and non-executive Director. Dr. Tian joined the Group and was appointed as a Director on 6 July 2011. Dr. Tian was subsequently redesignated as the chairman and non-executive Director on 7 December 2011. Dr. Tian has extensive industry experience and expertise and currently serves as the chairman of BII and a director of BII HK. Since May 2009, Dr. Tian concurrently serves as a director of Metro Land Corporation Ltd. (a company listed on the Shanghai Stock Exchange (Stock Code: 600683)) and as its chairman since August 2013. Dr Tian was the Chairman 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 issued by Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) ("**Beijing Evaluation Committee**").

HAO Weiya (郝偉亞), Mr. Hao, aged 45, 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.*). From August 2008 to July 2014, Mr. Hao successively served as the senior investment manager of financing department, manager of investment management department, assistant to general manager and vice general manager of BII. Since July 2014, Mr. Hao serves as a director and the general manager of BII. From January 2010 to June 2011 and from December 2014 onwards, Mr. Hao serves as a director of Metro Land Corporation Ltd. (京投銀泰股份有限公司) (Stock Code: 600683), a company listed on the Shanghai Stock Exchange. From October 2013 to November 2014, Mr. Hao served as the non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (Stock Code: 1599), a company listed on the Stock Exchange. Since November 2014, Mr. Hao serves as the Chairman 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.

ZHANG Jie (張傑), Mr. Zhang, aged 45, was appointed as the non-executive Director on 27 June 2014. Mr. Zhang graduated from the China University of Political Science and Law (中國政法大學) in the People's Republic of China with a Bachelor's degree of Law majoring in administrative management in July 1991 and obtained a Master's degree of Business Administration from Peking University (北京大學) in July 2001. In June 1994, Mr. Zhang obtained the lawyer qualification certificate and in June 2011, Mr. Zhang was qualified as a senior economist approved by the Beijing Evaluation Committee. During the period from July 1991 to May 1994, Mr. Zhang worked at 北京市汽車工業總公司黨校 (the Party School of Beijing Automotive Industry Corporation*) and subsequently acted as the deputy secretary of Communist Youth League from May 1994 to June 1996. From May 1994 to June 1996, Mr. Zhang concurrently served as the deputy party secretary of 北京齒輪總廠 (Beijing Gear Works*). From June 1996 to March 1997, Mr. Zhang acted as the deputy managing director of the training centre of 北京市汽車工業集團 (Beijing Automotive Industry Group*) and subsequently acted as the director of the training centre as well as the headmaster of both 北京市汽車工業總公司職工大學 (Staff University of Beijing Automotive Industry Corporation*) and Beijing City Automotive Industrial School (北京市汽車工業學校) from March 1997 to July 2002. During the period from July 2002 to September 2005, Mr. Zhang was appointed as the deputy party secretary by Beijing Hyundai Motor Company (北京現代汽車有限公司). In September 2005, Mr. Zhang was appointed as the deputy administrative manager, director of party committee office and the secretary to the board of directors of BII. Mr. Zhang now serves as the vice general manager, general counsel and the secretary to the board of directors of BII. Mr. Zhang is also the non-executive director of Beijing Urban Construction Design & Development Group Co., Limited (Stock Code: 1599), a company listed on the Stock Exchange since November 2014.

INDEPENDENT NON-EXECUTIVE DIRECTORS

BAI Jinrong (白金榮), Mr. Bai, aged 64, is the 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 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 also served as the independent non-executive director of Kong Shum Union Property Management (Holding) Limited (a company listed on the Stock Exchange (stock code: 8181)) since February 2015). Mr. Bai graduated from Beijing Normal University in 1985.

LUO Zhenbang *CPA* (羅振邦), Mr. Luo, aged 48, is the independent non-executive Director. Mr. Luo joined the Group and was appointed as the 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 21 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, the independent non-executive director of Xinjiang Goldwind Science & Technology Co., Ltd. (Stock Code: 2208) since June 2013 and the independent non-executive director of Glory Land Company Limited (Stock Code: 2329) since July 2014, each a company listed on the Stock Exchange. Mr Luo has been the independent director of Digital China Information Service Company Ltd. (Stock Code: 555), a company listed on the Shenzhen Stock Exchange since January 2014. 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)).

HUANG Lixin (黃立新), Mr. Huang, aged 43, was appointed as the independent non-executive Director on 9 July 2014. Mr. Huang graduated from the Law School of Renmin University of China (中國人民大學法律學院) with a Bachelor's degree of Law in July 1993 and obtained a Master's degree of Law from the University of International Business and Economics (對外經濟貿易大學) in July 1996. Mr. Huang obtained the Postgraduate Certificate in Laws (PCLL) from the University of Hong Kong in June 2001. Mr. Huang was qualified as a lawyer in the People's Republic of China since October 1995 and obtained the practising certificate issued by the Law Society of Hong Kong for the period from January to December 2004. Mr. Huang possessed extensive experience in the legal practice and had participated in numerous issues of securities, initial public offerings, post-listing financing as well as merger and acquisition projects over the past 20 years as a practising lawyer. Mr. Huang was an intern in 中國證券監督管理委員會法律部 (the Law Department of the China Securities Regulatory Commission*) from November 1993 to February 1996. From August 1996 to July 2000, Mr. Huang acted as a PRC legal consultant at Herbert Smith LLP. From July 2001 to May 2007, Mr. Huang was appointed as a trainee solicitor and later a solicitor at Herbert Smith LLP. Mr. Huang is now a partner of Beijing Haiwen & Partners which he joined in May 2007.

SENIOR MANAGEMENT

SHAO Kai (邵凱), Mr. Shao, aged 50, was appointed as executive deputy general manager of our Group on 1 December 2014. Mr. Shao's biographical details are set out in the paragraph headed "Executive Directors" above.

LIU Zhongliang (劉忠良), Mr. Liu, aged 41, was appointed as deputy general manager of our Group on 1 September 2012. Mr. Liu is also a director of BII ERG, a subsidiary of the Group. 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 from the 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 40, joined our Group and was appointed as deputy general manager of our Group on 11 April 2011. Ms. Cao is also the director of BII Zhuoyue and BII ERG, each a subsidiary of the Group. Ms. Cao has over nine years of experience in the management technology and communications industry. 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 human resources matters of our Group.

WU Xiao (吳筱), Ms. Wu, aged 35, joined our Group and was appointed as deputy general manager of our Group on 1 November 2010. Ms. Wu has more than six years of experience in asset management, equity capital markets and investment banking. Prior to joining our Group, Ms. Wu held the position of marketing director at CMS Asset Management (HK) Co., Limited where she mainly focused on product design and marketing. Ms. Wu was awarded the 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, merger and acquisition as well as marketing and capital markets activities of our Group.

LAU Kwok Fai Patrick ***CPA, FCCA*** **(劉國煇),** Mr. Lau, aged 42, joined our Group and was appointed as deputy general manger and financial controller of our Group on 1 July 2011 and company secretary of our Group on 7 December 2011. 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, a member of the Hong Kong Institute of Certified Public Accountants and a member of Beta Gamma Sigma. Mr Lau holds a master's degree in corporate governance and directorship. Mr. Lau is primarily responsible for financial, company secretarial and compliance matters of our Group.

LIU Yu (劉瑜), Mr. Liu, aged 41, was seconded from BII to our Group in May 2013 and was appointed as deputy general manager of our Group on 1 July 2014. Since Mr. Liu's secondment to our Group, Mr. Liu had served as the deputy general manager and executive deputy general manager of BII ERG. Since October 2014, Mr. Liu concurrently served as the general manager of BII-ERG. From July 2005 to May 2013, Mr. Liu had served as the manager of TCC project department, head of TCC technical workshop, deputy director of technical engineering department, manager of information centre project department and deputy chief engineer of 北京軌道交通路網管理有限公司 (Beijing Metro Network Administration Co., Ltd*). Mr. Liu obtained a master's degree in transportation planning and management from Beijing University of Technology in 2008 and was an accredited engineer. Mr. Liu is primarily responsible for the business development of our Group.

CAO Runlin (曹潤林), Ms. Cao, aged 37, was seconded from BII to our Group in August 2012 and was appointed as deputy general manager of our Group on 1 July 2014. Since Ms. Cao's secondment to our Group, Ms. Cao had served as deputy general manager of BII ERG. From October 2004 to January 2010, Ms. Cao had served as financial supervisor, senior supervisor of the planning & finance department and deputy manager of finance management department of BII. During the period from September 2003 to September 2004, Ms. Cao served as the accounting supervisor of the finance department of 阿爾卑斯科技(北京)有限公司 (Altec Beijing Co., Ltd.*). Ms. Cao obtained her bachelor's and master's degree in administration (accounting) from Northeastern University in 1999 and 2002 respectively, and was accredited as an accountant in October 2004. Ms. Cao is primarily responsible for the financial matters related to the subsidiaries of our Group in the PRC.

* *For identification purposes only.*

The Directors are pleased to present their report for the eighteen months ended 31 December 2014:

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 15 to the consolidated financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the eighteen months ended 31 December 2014 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 46 to 104.

The Board did not recommend the payment of dividend for the eighteen months ended 31 December 2014 (Year ended 30 June 2013: Nil).

CLOSURE OF REGISTER OF MEMBERS

To determine the eligibility of the shareholders of the Company to attend the annual general meeting ("**AGM**") to be held on Tuesday, 12 May 2015, the register of members will be closed from Friday, 8 May 2015 to Monday, 11 May 2015, 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, Level 22, Hopewell centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Thursday, 7 May 2015.

ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 12 May 2015. 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 eighteen months ended 31 December 2014 are set out in Note 23(a) to the consolidated financial statements and the consolidated statement of changes in equity respectively.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account is distributable to the shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2014, the Company's reserves available for distribution amounted to approximately HK$712.2 million (30 June 2013: HK$285.6 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 eighteen months 31 December 2014 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 five 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.

MAJOR CUSTOMERS AND SUPPLIERS

During the eighteen months ended 31 December 2014, the purchases and sales percentage from the major customers and suppliers of the Group are set out below:

		Percentage of total purchases
(1)	**Purchases**	
	– the largest supplier	13%
	– the five largest suppliers combined	36%

		Percentage of total sales
(2)	**Sales**	
	– the largest customer	26%
	– the five largest customers combined	83%

Save as disclosed under the section headed "Connected Transaction" in this report, 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 eighteen months ended 31 December 2014.

DIRECTORS

The Directors during the eighteen months from 1 July 2013 to 31 December 2014 and up to the date of this report were:

EXECUTIVE DIRECTORS

Mr. Cao Wei *(Chief Executive Officer)*	appointed on 7 January 2011
Ms. Xuan Jing	appointed on 27 June 2014
Mr. Shao Kai	appointed on 4 March 2015
Mr. Chen Rui	appointed on 7 January 2011 and resigned on 1 June 2014

NON-EXECUTIVE DIRECTORS

Dr. Tian Zhenqing *(Chairman)*	appointed on 6 July 2011
Mr. Hao Weiya	appointed on 6 August 2013
Mr. Zhang Jie	appointed on 27 June 2014
Mr. Steven Bruce Gallagher	appointed on 7 January 2011 and resigned on 13 October 2014

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Bai Jinrong	appointed on 7 December 2011
Mr. Luo Zhenbang *CPA*	appointed on 13 November 2012
Mr. Huang Lixin	appointed on 9 July 2014
Mr. Hu Zhaoguang	appointed on 7 December 2011 and resigned on 9 July 2014

According to articles 16.18 of the Articles, Mr. Cao Wei, Mr. Hao Weiya and Mr. Huang Lixin will retire as Directors by rotation and each of them is eligible to offer themselves for re-election as Directors at the AGM. Mr. Cao Wei, Mr. Hao weiya and Mr. Huang Lixin will offer themselves for re-election as Directors at the AGM.

According to article 16.13 of the Articles, Mr. Shao Kai will retire as Director and he is eligible to offer himself for re-election as Director at the AGM. Mr. Shao Kai will offer himself for re-election as Director 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 eighteen months ended 31 December 2014 pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange ("**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 14 to 16 of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

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

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and the five highest paid individuals of the Group for the eighteen months ended 31 December 2014 are set out in Notes 8 and 9 to the consolidated financial statements.

MANAGEMENT CONTRACTS

As at 31 December 2014, 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 Share Option Scheme was approved for adoption pursuant to a written resolution of all of the shareholders of the Company passed on 8 December 2011 for the purpose to provide the Company with a flexible means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to eligible participants and for such other purposes as the Board approve from time to time.

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

In order to prepare for the Transfer of Listing, the Share Option Scheme was revised on 24 September 2013 with changes including (i) all the references to the Growth Enterprise Market of the Stock Exchange were changed to the Main Board of the Stock Exchange; and (ii) all the references to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited were changed to the Listing Rules. Save as disclosed above, there are no material differences between the Share Option Scheme and the revised Share Option Scheme.

During the eighteen months ended 31 December 2014, the Company had further granted 40,000,000 share options to its employees.

As at 31 December 2014, there were 55,136,000 outstanding share options granted under the Share Option Scheme, details as follows:

Grantee	Position/ Capacity	Date of grant	Exercise price HK$	Vesting period	Exercise period	Number of Share Options: Balance as at 1 July 2013	Granted during the period	Exercise during the period	Cancelled/ lapsed during the period	Balance as at 31 December 2014
Beijing Infrastructure Investment (Hong Kong) Limited	Substantial Shareholder	5 December 2014	2.690	5 December 2014 to 4 December 2015 *(Note 3)*	5 December 2015 to 4 December 2019 *(Note 3)*	–	1,300,000	–	–	1,300,000
Mr. Cao Wei	Chief Executive Officer and Executive Director	26 July 2012	0.656	26 July 2012 to 25 July 2013 *(Note 1)*	26 July 2013 to 25 July 2017 *(Note 1)*	800,000	–	–	–	800,000
		5 December 2014	2.690	5 December 2014 to 4 December 2015 *(Note 3)*	5 December 2015 to 4 December 2019 *(Note 3)*	–	500,000	–	–	500,000
Mr. Chen Rui	Former Executive Director	26 July 2012	0.656	26 July 2012 to 25 July 2013 *(Note 1)*	26 July 2013 to 25 July 2017 *(Note 1)*	800,000	–	–	(800,000)	–
Mr. Steven Bruce Gallagher	Former Non-executive Director	26 July 2012	0.656	26 July 2012 to 25 July 2013 *(Note 1)*	26 July 2013 to 25 July 2017 *(Note 1)*	800,000	–	(560,000)	(240,000)	–
Others	Employees	26 July 2012	0.656	26 July 2012 to 25 July 2013 *(Note 1)*	26 July 2013 to 25 July 2017 *(Note 1)*	33,332,000	–	(18,532,000)	(464,000)	14,336,000
Others	Employees	31 December 2013	1.080	31 December 2013 to 30 December 2014 *(Note 2)*	31 December 2014 to 30 December 2018 *(Note 2)*	–	20,000,000	–	–	20,000,000
Others	Employees	5 December 2014	2.690	5 December 2014 to 4 December 2015 *(Note 3)*	5 December 2015 to 4 December 2019 *(Note 3)*	–	18,200,000	–	–	18,200,000
						35,732,000	40,000,000	(19,092,000)	(1,504,000)	55,136,000

Notes:

1. 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.

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

3. On 5 December 2014, a total of 20,000,000 share options were granted to a substantial shareholder, a Director and certain employees of the Company under the Share Option Scheme to subscribe for shares of the Company, exercisable at a price of HK$2.690 per share during a period from 5 December 2014 to 4 December 2019. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 5 December 2015, 5 December 2016 and 5 December 2017 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 31 December 2014 or at any time during the eighteen months ended 31 December 2014.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS

As at 31 December 2014, 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 were 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 Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") set out in Appendix 10 to the Listing Rules as adopted by the Company, 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)*	269,509,815 Shares		20.64%
	The Company	Beneficial owner		1,300,000 Shares (L) *(Notes 3 and 4)*	0.10%

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 269,509,815 shares which More Legend is interested in. Mr. Cao is the sole director of More Legend.

3. On 26 July 2012, Mr. Cao was granted 800,000 options under the Share Option Scheme of the Company to subscribe for 800,000 shares of the Company, exercisable at a price of HK$0.656 per share during a period from 26 July 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. On 5 December 2014, Mr. Cao was granted 500,000 options under the Share Option Scheme to subscribe for 500,000 shares of the Company, exercisable at a price of HK$2.690 per share during a period from 5 December 2014 to 4 December 2019. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 5 December 2015, 5 December 2016 and 5 December 2017 respectively.

Save as disclosed herein, as at 31 December 2014, 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 the Model Code.

INTERESTS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS

As at 31 December 2014, substantial shareholders of the Company and other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company 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 by the Company under Section 336 of the SFO 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)*	269,509,815 Shares (L)	20.64%
Vix East Asia	Interest of concert parties *(Note 3)*	269,509,815 Shares (L)	20.64%
Landcity	Interest of concert parties *(Note 4)*	269,509,815 Shares (L)	20.64%
Sino Choice Trust	Interest in a controlled corporation/Interest of concert parties *(Note 5)*	269,509,815 Shares (L)	20.64%
Vix Holdings Limited ("**Vix Holdings**")	Interest in a controlled corporation/Interest of concert parties *(Note 6)*	269,509,815 Shares (L)	20.64%
Ms. Wang Jiangping ("**Ms. Wang**")	Interest of spouse *(Note 7)*	270,809,815 Shares (L)	20.74%
Mr. Chen Rui ("**Mr. Chen**")	Interest in a controlled corporation/Interest of concert parties *(Notes 2 & 4)*	269,509,815 Shares (L)	20.64%
Ms. Jiang Wenjun ("**Ms. Jiang**")	Interest of spouse *(Note 8)*	269,509,815 Shares (L)	20.64%
BII HK	Beneficial owner *(Note 9)*	483,881,376 Shares (L)	37.05%
BII	Interest of controlled corporation *(Note 10)*	483,881,376 Shares (L)	37.05%

Notes:

1. More Legend is the legal and beneficial owner of approximately 20.64% 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 does not hold any issued share capital of the Company under its name.

4. Landcity does not hold any issued share capital of the Company under its name. 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 270,809,815 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 269,509,815 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 31 December 2014, the Company was not notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 or Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

MODEL CODE 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 the Model Code. 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 period under review. The Company was not aware of any non-compliance during the eighteen months ended 31 December 2014.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the eighteen months ended 31 December 2014.

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 eighteen months ended 31 December 2014 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.

CONNECTED TRANSACTIONS

Material related party transactions entered into by the Group during the eighteen months ended 31 December 2014 are disclosed in Note 27 to the consolidated financial statements. Some of these transactions also constitute connected transactions under the Listing Rules, as identified below.

(I) PLACING AND SUBSCRIPTION OF NEW SHARES

On 1 April 2014, the Company entered into a subscription agreement ("**Subscription Agreement**") with BII HK ("**Subscriber**") pursuant to which the Subscriber conditionally agreed to subscribe for and the Company conditionally agreed to allot and issue 248,804,313 new shares of the Company ("**Subscription Share**") at the subscription price of HK$1.25 per Subscription Share to the Subscriber with a two-year lock-up period. The Subscription Shares represent approximately 26.07% of the then issued share capital of the Company and approximately 19.33% of the then issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares (as defined below) and the Subscription Shares in aggregate, subject to placing completion and subscription completion.

In addition, on 1 April 2014, the Company entered into a placing agreement ("**Placing Agreement**") with GF Securities (Hong Kong) Brokerage Limited ("**Placing Agent**") pursuant to which the Placing Agent conditionally agreed to procure, on a best efforts basis, placees to subscribe for of up to 83,887,262 new shares of the Company ("**Placing Shares**") at the placing price of HK$1.25 per Placing Share. The Placing Shares represent approximately 8.79% of the then issued share capital of the Company and approximately 6.52% of the then issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares and the Subscription Shares in aggregate, subject to placing completion and subscription completion. The Placing Shares were alloted to the Places with a one-year lock-up period.

As at the date of the Subscription Agreement and the Placing Agreement, the Subscriber held 233,777,063 Shares, representing approximately 24.50% of the then issued share capital of the Company. Since the Subscriber was a substantial Shareholder and hence a connected person of the Company under Rule 14A.11(1) of the Listing Rules, the transactions contemplated under the Subscription Agreement constituted a connected transaction for the Company. Details of the transactions contemplated under the Subscription Agreement and the Placing Agreement were set out in the announcements of the Company dated 4 April 2014, 9 April 2014, 16 April 2014, 25 April 2014, 9 May 2014, 27 May 2014, 10 June 2014 and the circular of the Company dated 9 May 2014.

(II) ACQUISITION OF CIVIL COMMUNICATION ASSETS

On 8 July 2014, BII Zhuoyue ("**Purchaser**") entered into an acquisition agreement ("**Acquisition Agreement**") with BII ("**Vendor**"), pursuant to which the Purchaser has conditionally agreed to acquire the assets (being the civil communication transmission systems and the respective income rights of the 82 underground stations of the seven subway lines of the Beijing Subway and the civil communication income rights of the three stations of the airport line of the Beijing Subway, in particular, (i) the fixed assets of and the income rights to be derived from the civil communication transmission systems of Line No. 5, Phase 1 of Line No. 10 (including the Olympic sub-line), Phase 1 of Line No. 15, Line No. 8 (north section), Line No. 9, Yizhuang Line and Daxing Line of the Beijing Subway; (ii) the income rights to be derived from the civil communication transmission systems of the airport line of the Beijing Subway; and (iii) the rights and obligations under certain underlying contracts) from the Vendor at a consideration of RMB96,000,000.

As at the date of the Acquisition Agreement, BII HK held 482,581,376 Shares, representing approximately 37.49% of the then issued share capital of the Company. BII HK was a substantial Shareholder and hence a connected person of the Company under Rule 14A.11(1) of the Listing Rules. The Vendor, as the sole owner of BII HK, was an associate of BII HK and hence a connected person of the Company. Details of the acquisition were set out in the announcements of the Company dated 25 February 2014, 8 July 2014, 26 August 2014, 29 September 2014, and the circular of the Company dated 8 August 2014.

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, which in turn is indirectly held as to approximately 100% by Mr. Duncan Paul Saville, one of the shareholders of the Company prior to 17 September 2014 through his indirect interest in Vix Holdings. Accordingly, Vix IP was an associate of the Company under the Listing Rules and thus would be regarded as connected person of the Company under Chapter 14A of the Listing Rules. Since 17 September 2014, Vix IP ceased to be interested in the Company.

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 eighteen months ended 31 December 2014, 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.

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 20.64% 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 14A of the Listing Rules. Vix IP is a connected person of the Company under Chapter 14A of the 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 eighteen months ended 31 December 2014, the service income generated and the technical service costs incurred by the Group under the ERG HK Supplemental Licensing Agreement amounted to HK$0.21 million and HK$0.04 million respectively.

Vix East Asia has ceased to hold any issued share capital of the Company under its name since 17 September 2014. Vix East Asia has ceased to be a connected person of the Company according to Chapter 14A of the Listing Rules. As such, the transactions contemplated under the ERG HK Supplemental Agreement ceased to be connected transactions of the Company under Chapter 14A of the Listing Rules.

(III) ERG BJ PRINCIPAL LICENSING AGREEMENT

On 28 February 2012, ERG BJ entered into a licensing agreement ("**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, which in turn is indirectly held as to approximately 100% by Mr. Duncan Paul Saville, one of the shareholders of the Company prior to 17 September 2014 through his indirect interest in Vix Holdings. Accordingly, Vix IP was an associate of the Company under the Listing Rules and thus would be regarded as connected person of the Company under Chapter 14A of the Listing Rules. Since 17 September 2014, Vix IP ceased to be interested in the Company.

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 eighteen months ended 31 December 2014, 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.

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 20.64% 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 14A of the Listing Rules. Vix IP is a connected person of the Company under Chapter 14A of the 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) ("**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 eighteen months ended 31 December 2014, the total transaction amount carried out under the ERG BJ Supplemental Licensing Agreement amounted to HK$1.91 million.

Vix East Asia has ceased to hold any issued share capital of the Company under its name since 17 September 2014. Vix East Asia has ceased to be a connected person of the Company according to Chapter 14A of the Listing Rules. As such, the transactions contemplated under the ERG BJ Supplemental Agreement ceased to be connected transactions of the Company under Chapter 14A of the Listing Rules.

(V) ACC SYSTEM PROJECT TECHNICAL SERVICE AGREEMENT

Pursuant to the technical service agreement dated 8 June 2012 ("**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.

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 20.64% 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 14A of the Listing Rules. Vix IP is a connected person of the Company under Chapter 14A of the 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.

The ACC System Project Technical Service Agreement expired on 7 June 2014. During the period from 1 July 2013 to 7 June 2014, 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 ("**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 ("**Innovation Acquisition**") of Innovation Holding Co., LTD., following the completion of the Innovation Acquisition on 28 June 2013, 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. 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 14A of the 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 "**Beijing Metro Network Services**") to Beijing Metro Network during the term of the Beijing Metro Network Framework Agreement, provided that (i) the member of the Group is awarded the relevant contract in accordance with the stipulated procedures under the relevant PRC laws and regulations (if required); and (ii) the parties thereto negotiate at arm's length regarding the commercial terms to be set out in the individual agreements for the Beijing Metro Network Services.

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

For the eighteen months ended 31 December 2014, the total transaction amount carried out under the Beijing Metro Network Framework Agreement amounted to HK$164 million.

(VII) FRAMEWORK AGREEMENT ENTERED INTO BETWEEN THE COMPANY AND 北京市軌道交通建設管理有限公司 (BEIJING RAILWAY CONSTRUCTION AND MANAGEMENT CO., LTD.*)

On 9 August 2013, the Company entered into a framework agreement with Beijing Railway Construction and Management Co., Ltd. ("**Beijing Railway Construction**") to regulate the business relationships between the parties thereto ("**Beijing Railway Construction Framework Agreement**") for a period commencing from 9 August 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 Innovation Acquisition, following completion of the Innovation Acquisition on 28 June 2013, BII ERG has become a subsidiary of the Group. 北京城市軌道交通諮詢有限公司 (Beijing City Railway Transportation Consultation Co., Ltd.*) ("**Beijing Transport Consultation**"), a holder of 10% of the equity interest in BII ERG, becomes a substantial shareholder of BII ERG and a connected person of the Group. Beijing Railway Construction is the holding company of Beijing Transport Consultation which holds 93% of the equity interests in Beijing Transport Consultation, hence Beijing Railway Construction is an associate of Beijing Transport Consultation and also a connected person of the Group under Chapter 14A of the Listing Rules. Beijing Transport Consultation is a passive investor of BII ERG, save for its 10% equity interest in BII ERG, Beijing Transport Consultation does not have any representative in the senior management and board of directors of BII ERG and the Company.

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

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

Pursuant to the Beijing Railway Construction Framework Agreement, parties thereto will enter into individual agreements for the provision of the Beijing Railway Construction Services. Pursuant to the Beijing Railway Construction Framework Agreement, the terms (including the service fees) of the individual agreements to be entered into will be negotiated by the parties in good faith and will be determined by the parties from time to time under normal commercial terms in the ordinary course of business. The service fees offered by the Group shall be determined with reference to, among other factors, the prevailing market conditions, competition, gross profit margin, costs of sale, duration of project and the associated risk factors. Further details regarding the Beijing Railway Construction Framework Agreement and related continuing connected transactions were set out in the announcement and the circular of the Company dated 9 August 2013 and 30 August 2013 respectively.

For the eighteen months ended 31 December 2014, the total transaction amount carried out under the Beijing Railway Construction Framework Agreement amounted to HK$36 million.

(VIII) TENANCY AGREEMENTS IN RELATION TO LEASING OF PROPERTIES

On 25 February 2014, Beijing Metro Network entered into a tenancy agreement (collectively, "**2014 Tenancy Agreements**") with each of BII Zhuoyue, BII ERG and ERG BJ (collectively, "**Tenants**"), whereby the Tenants leased properties from Beijing Metro Network for a term of one year from 1 January 2014 to 31 December 2014.

The consideration in respect of the transactions contemplated under the 2014 Tenancy Agreements for the year ending 31 December 2014 was RMB4,666,397.25 (equivalent to approximately HK$5,982,561), which was calculated with reference to the aggregate annual rental payable by the Tenants to Beijing Metro Network pursuant to the 2014 Tenancy Agreements.

The terms of the 2014 Tenancy Agreements (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The rental payment will be paid in cash in one-off after signing of the 2014 Tenancy Agreements. Details of the transactions contemplated under the 2014 Tenancy Agreements were set out in the announcement of the Company dated 25 February 2014.

As at the date of such announcement, BII HK held 233,777,063 shares in the Company, representing approximately 24.50% of the then issued share capital of the Company. BII HK was a substantial shareholder of the Company and a connected person of the Company. BII was the sole beneficial shareholder of BII HK and Beijing Metro Network. Accordingly, Beijing Metro Network was an associate of BII and BII HK, and would therefore become a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Tenancy Agreements constituted continuing connected transactions for the Company under the Listing Rules.

(IX) TENANCY AGREEMENTS IN RELATION TO LEASING OF PROPERTIES

On 2 February 2015, Beijing Metro Network entered into a tenancy agreement (collectively, "**2015 Tenancy Agreements**") with each of the Tenants, whereby the Tenants lease properties from Beijing Metro Network for a term of one year from 1 January 2015 to 31 December 2015.

The consideration in respect of the transactions contemplated under the 2015 Tenancy Agreements for the year ending 31 December 2015 will be RMB4,666,397.25 (equivalent to approximately HK$5,897,873.17), which is calculated with reference to the aggregate annual rental payable by the Tenants to Beijing Metro Network pursuant to the 2015 Tenancy Agreements.

The terms of the 2015 Tenancy Agreements (together with the consideration) were determined after arm's length negotiations between the parties and after making reference to the prevailing market rates. The rental payment will be paid in cash in one-off within 10 days after signing of the Tenancy Agreements. Details of the transactions contemplated under the 2015 Tenancy Agreements were set out in the announcement of the Company dated 2 February 2015.

As at the date of such announcement, BII HK held 482,581,376 shares in the Company, representing approximately 36.94% of the then issued share capital of the Company. BII HK was a substantial shareholder of the Company and a connected person of the Company. BII was the sole beneficial shareholder of BII HK and Beijing Metro Network. Accordingly, Beijing Metro Network was an associate of BII and BII HK, and would therefore become a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the 2015 Tenancy Agreements constitute continuing connected transactions for the Company under the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor to report on the Group's continuing connected transactions and the auditor has confirmed the continuing connected transactions in accordance with Rule 14A.56 of the 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 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and the unqualified letter from the auditor and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms, or on terms no less favourable than 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 Listing Rules. The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions set out above.

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.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The shares of the Company were listed on the Growth Enterprise Market of the Stock Exchange on 16 May 2012 and the Company subsequently transferred the listing of its entire shares to the Main Board of the Stock Exchange on 6 December 2013.

The Board considers that the Company has compiled with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange during the period from 1 July 2013 to 5 December 2013 and the Corporate Governance Code as set out in Appendix 14 to the Listing Rules during the period from 6 December 2013 to 31 December 2014.

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" section on pages 35 to 44 of this Annual Report.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Company established an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraphs C.3.3 and C.3.7 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee, among other things, are to 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 31 December 2014, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang *CPA* (Chairman of the Audit Committee), Mr. Bai Jinrong and Mr. Huang Lixin.

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 eighteen months ended 31 December 2014 and is of the opinion that such statements comply with applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

AUDITORS

The consolidated financial statements for the eighteen months ended 31 December 2014 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, 25 March 2015

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report for the eighteen months ended 31 December 2014:

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 eighteen months ended 31 December 2014, the Company was in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("**CG Code**"). The Company has established the audit committee, the remuneration committee and the nomination committee in accordance with the CG Code.

BOARD OF DIRECTORS

BOARD COMPOSITION

The Board currently has nine Directors, comprising three executive Directors, three non-executive Directors and three independent non-executive Directors. During the eighteen months ended 31 December 2014, Mr. Chen Rui resigned as an executive Director on 1 June 2014, Mr. Steven Bruce Gallagher resigned as a non-executive Director on 13 October 2014 and Mr. Hu Zhaoguang resigned as an independent non-executive Director on 9 July 2014. Ms. Xuan Jing was appointed as an executive Director on 27 June 2014, Mr. Hao Weiya and Mr. Zhang Jie were appointed as non-executive Director on 6 August 2013 and 27 June 2014 respectively, and Mr. Huang Lixin was appointed as an independent non-executive Director on 9 July 2014. After the reporting period, Mr. Shao Kai was appointed as executive Director on 4 March 2015. 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
Ms. Xuan Jing	Executive Director (appointed on 27 June 2014)
Mr. Shao Kai	Executive Director (appointed on 4 March 2015)
Mr. Chen Rui	Executive Director (resigned on 1 June 2014)
Mr. Hao Weiya	Non-executive Director (appointed on 6 August 2013)
Mr. Zhang Jie	Non-executive Director (appointed on 27 June 2014)
Mr. Steven Bruce Gallagher	Non-executive Director (resigned on 13 October 2014)
Mr. Bai Jinrong	Independent non-executive Director
Mr. Luo Zhenbang *CPA*	Independent non-executive Director
Mr. Huang Lixin	Independent non-executive Director (appointed on 9 July 2014)
Mr. Hu Zhaoguang	Independent non-executive Director (resigned on 9 July 2014)

The biographical details of the current Directors are set out on pages 14 to 16 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. The appointment can be terminated by either party by giving to the other not less than three months' prior written notice. Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company and for a fixed term of three years. The appointment can be terminated by the Company by giving the non-executive Directors or 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 eighteen months ended 31 December 2014. 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 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) 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 of the Company 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 six regular Board meetings and 17 non-regular Board meetings held during the eighteen months ended 31 December 2014, the attendance records of each Director at the Board meetings are set out below:

Name of Directors	Meetings attended/Eligible to attend Regular Board meeting	Non-regular Board meeting
Executive Directors		
Mr. Cao Wei *(Chief Executive Officer)*	6/6	16/16
Ms. Xuan Jing (appointed on 27 June 2014)	2/2	5/5
Mr. Shao Kai (appointed on 4 March 2015)	–/–	–/–
Mr. Chen Rui (resigned on 1 June 2014)	4/4	10/10
Non-Executive Directors		
Dr. Tian Zhenqing *(Chairman)*	6/6	16/16
Mr. Hao Weiya (appointed on 6 August 2013)	6/6	13/13
Mr. Zhang Jie (appointed on 27 June 2014)	2/2	5/5
Mr. Steven Bruce Gallagher (resigned on 13 October 2014)	4/5	15/15
Independent Non-Executive Directors		
Mr. Bai Jinrong	5/6	17/17
Mr. Luo Zhenbang *CPA*	6/6	17/17
Mr. Huang Lixin (appointed on 9 July 2014)	2/2	2/2
Mr. Hu Zhaoguang (resigned on 9 July 2014)	4/4	15/15

BOARD COMMITTEES

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 and Rule 3.22 of the Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraphs 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*. Other members of the Audit Committee include Mr. Bai Jinrong and Mr. Huang Lixin. Mr. Hu Zhaoguang ceased to be a member of the Audit Committee following his retirement as an independent non-executive Director of the Company on 9 July 2014.

The Audit Committee held four meetings during the eighteen months ended 31 December 2014 to, among others, review, discuss and approve the financial results and reports of the Group for the year ended 30 June 2013 and for the three months, six months and twelve months ended 30 September 2013, 31 December 2013 and 30 June 2014 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)*	4/4
Mr. Bai Jinrong	4/4
Mr. Huang Lixin (appointed on 9 July 2014)	1/1
Mr. Hu Zhaoguang (ceased to be a member on 9 July 2014)	3/3

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 3.25 and Rule 3.26 of the Listing Rules. The written terms of reference of the remuneration committee was adopted in compliance with paragraph B.1.2 and B.1.3 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 was chaired by Mr. Hu Zhaoguang until his resignation as independent non-executive Director of the Company on 9 July 2014, and from then onwards, the Remuneration Committee is chaired by Mr. Bai Jinrong. Other members of the Remuneration Committee include Mr. Cao Wei and Mr. Huang Lixin.

The Remuneration Committee held one meeting during the eighteen months ended 31 December 2014 to review the directors' fees and the emoluments of the Executive Directors. Details of the remuneration of Directors are set out in Note 8 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. Bai Jinrong *(Chairman)*	1/1
Mr. Cao Wei	1/1
Mr. Huang Lixin (appointed on 9 July 2014)	–/–
Mr. Hu Zhaoguang (ceased to be a member on 9 July 2014)	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 and A.5.3 of the CG Code. The primary duties of the nomination committee are to review the structure, size diversity 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. Bai Jinrong and Mr. Huang Lixin.

The Nomination Committee held six meetings during the eighteen months ended 31 December 2014 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)*	6/6
Mr. Bai Jinrong	6/6
Mr. Huang Lixin (appointed on 9 July 2014)	1/1
Mr. Hu Zhaoguang (ceased to become a member on 9 July 2014)	5/5

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 paragraph 12B of Appendix 16 to the Listing Rules. The Company considers all Independent Non-Executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules for the eighteen months ended 31 December 2014.

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 eighteen months ended 31 December 2014, a directors' training was organised for all Directors to update and refresh them on the 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 the Model Code. 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 period under review. The Company was not aware of any non-compliance during the eighteen months ended 31 December 2014.

AUDITOR'S REMUNERATION

As at 31 December 2014, the fees paid and payable to the Group's auditors in respect of their statutory audit and other audit services provided to the Group were as follows:

	Amount (HK$'000)
Type of services	
Statutory audit services	3,534
Other services	1,426
	4,960

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 eighteen months ended 31 December 2014 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 45 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 eighteen months ended 31 December 2014, two annual general meetings and four 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)*	2/2	4/4
Mr. Cao Wei	2/2	4/4
Ms. Xuan Jing (appointed on 27 June 2014)	1/1	1/1
Mr. Shao Kai (appointed on 4 March 2015)	–/–	–/–
Mr. Chen Rui (resigned on 1 June 2014)	1/1	3/3
Mr. Hao Weiya	2/2	2/3
Mr. Zhang Jie (appointed on 27 June 2014)	1/1	1/1
Mr. Steven Bruce Gallagher (resigned on 13 October 2014)	–/1	4/4
Mr. Bai Jinrong	1/2	3/4
Mr. Luo Zhenbang *CPA*	2/2	3/4
Mr. Huang Lixin (appointed on 9 July 2014)	1/1	1/1
Mr. Hu Zhaoguang (resigned on 9 July 2014)	1/1	3/3

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

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 EGM or an ordinary resolution of the Company in an annual general meeting of the Company.

NON-COMPETITION UNDERTAKINGS

Vix Transportation Systems Pty Ltd ("**Vix Transportation**") has given an irrevocable undertaking ("**Vix Undertaking**") in favour of the Group on 24 April 2012 pursuant to which Vix Transportation, as covenantor, irrevocably undertakes to our Company that Vix Transportation shall not and shall procure that no holding company, subsidiary or subsidiary of a holding company of Vix Transportation and any company in which Vix Transportation or its affiliates has a controlling interest or shareholding ("**Vix Affiliate**") and/or companies controlled by Vix Transportation shall engage in any business or activity similar to or which competes or may compete with the business of the Group. Details of the Vix Undertaking are set out in the section headed "Relationship with ERG Greater China BVI and the Vix Group" in the Prospectus. Pursuant to the Vix Undertaking, in circumstances where the Company does not, or where Vix Transportation believes that our Company has not and will not after making reasonable enquiry, bid for or provide a proposal for an opportunity containing the scope in the area of passenger auto fare collection, Vix Transportation or a Vix Affiliate is entitled to provide a bid or proposal for such opportunity. Our Board will decide whether our Group will bid or not bid for any business opportunity and/or transactions. The interested Director(s) will abstain from voting and the relevant meeting of the Board in respect of such transactions and shall not be counted in the quorum. During the period from 1 July 2013 until the expiry of the Vix Undertaking, no such transaction or board meeting had taken place. According to the terms of the Vix Undertaking, the undertaking would expire when Vix Transportation or any Vix Affiliate ceased to have 10% or more of the shareholding interest in the Company and when the representative of Vix Transportation or Vix Affiliate ceased to be the Director.

Being a Vix Affiliate, Vix East Asia has ceased to hold any issued share capital of the Company under its name since 17 September 2014, and the representative of Vix Transportation, Mr. Steven Bruce Gallagher, ceased to be a Director on 13 October 2014. Accordingly, the Vix Undertaking expired on 13 October 2014.

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 period from 1 July 2013 until the expiry of the Non-competition Undertaking, no such business opportunity or transaction or board meeting had taken place. According to the terms of the Non-competition Undertaking, the undertaking would expire on the date upon which the aggregate shareholding of the Covenantors and their associates in the Company is less than 30% of the entire issued share capital of the Company and the Covenantors and their associates together is no longer regarded as a controlling shareholder (as defined in the Listing Rules) of the Company. As at 31 December 2014, the aggregate shareholding of the Covenantors and their associates in the Company was approximately 27.09%. Accordingly, the Non-competition Undertaking ceased to be effective.

During the period from 1 July 2013 until the expiry of the Non-competition Undertaking, 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 has 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. The Non-disposal Undertaking had expired on 28 May 2014.

More Legend, Vix East Asia and Landcity have confirmed that during the period from 1 July 2013 until the expiry of the Non-disposal Undertaking, 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 46 to 104, which comprise the consolidated and the Company's statements of financial position as at 31 December 2014, 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 eighteen months period 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 31 December 2014 and of the Group's profit and cash flows for the eighteen months period 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

25 March 2015

Consolidated Statement of Profit or Loss

For the eighteen months ended 31 December 2014 (Expressed in Hong Kong dollars ("HK$"))

	Note	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Revenue	*4*	**657,241**	254,135
Cost of sales		**(423,872)**	(155,992)
Gross profit	*4(b)*	**233,369**	98,143
Other revenue	*5*	**2,070**	3,272
Other net (loss)/income	*5*	**(1,460)**	13
Selling, general and administrative expenses		**(133,344)**	(33,918)
Profit from operations		**100,635**	67,510
Investment income		**–**	156
Remeasurement to fair value of pre-existing equity interests in an associate	*16*	**–**	1,795
Share of profit of an associate		**–**	3,214
Profit before taxation	*6*	**100,635**	72,675
Income tax	*7*	**(27,872)**	(13,633)
Profit for the period/year		**72,763**	59,042
Attributable to:			
Equity shareholders of the Company		**65,042**	59,042
Non-controlling interests		**7,721**	–
Profit for the period/year		**72,763**	59,042
Earnings per share			
– Basic (HK$)	*11(a)*	**0.060**	0.074
– Diluted (HK$)	*11(b)*	**0.059**	0.073

The notes on pages 54 to 104 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the eighteen months ended 31 December 2014 (Expressed in HK$)

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Profit for the period/year	**72,763**	59,042
Other comprehensive income for the period/year (before and after tax):		
Items that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	**5,182**	4,924
– Reclassification of exchange differences on loss of significance influence	–	(437)
Total comprehensive income for the period/year	**77,945**	63,529
Attributable to:		
Equity shareholders of the Company	**70,077**	63,529
Non-controlling interests	**7,868**	–
Total comprehensive income for the period/year	**77,945**	63,529

The notes on pages 54 to 104 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2014 (Expressed in HK$)

	Note	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Non-current assets			
Fixed assets	*12*	**68,108**	2,141
Intangible assets	*13*	**114,597**	70,260
Goodwill	*14*	**69,175**	57,368
Deferred tax assets	*22(b)*	**9,127**	3,534
		261,007	133,303
Current assets			
Inventories	*17*	**33,087**	10,040
Trade and other receivables	*18*	**604,447**	341,996
Cash and cash equivalents	*19*	**528,044**	207,239
		1,165,578	559,275
Current liabilities			
Trade and other payables	*20*	**364,034**	169,707
Current taxation	*22(a)*	**44,766**	28,408
		408,800	198,115
Net current assets		**756,778**	361,160
Total assets less current liabilities		**1,017,785**	494,463
Non-current liabilities			
Deferred tax liabilities	*22(b)*	**18,199**	5,111
NET ASSETS		**999,586**	489,352
CAPITAL AND RESERVES	*23*		
Share capital		**13,060**	9,542
Reserves		**972,561**	473,713
Total equity attributable to equity shareholders of the Company		**985,621**	483,255
Non-controlling interests		**13,965**	6,097
TOTAL EQUITY		**999,586**	489,352

Approved and authorised for issue by the board of directors on 25 March 2015.

Tian Zhenqing
Director

Cao Wei
Director

The notes on pages 54 to 104 form part of these financial statements.

Statement of Financial Position

At 31 December 2014 (Expressed in HK$)

	Note	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Non-current assets			
Investments in subsidiaries	*15*	**394,110**	139,475
Current assets			
Other receivables	*18*	**43,259**	153,616
Cash and cash equivalents	*19*	**285,179**	18,966
		328,438	172,582
Current liabilities			
Accrued expenses and other payables	*20*	**1,140**	1,351
Net current assets		**327,298**	171,231
NET ASSETS		**721,408**	310,706
CAPITAL AND RESERVES	*23*		
Share capital		**13,060**	9,542
Reserves		**708,348**	301,164
TOTAL EQUITY		**721,408**	310,706

Approved and authorised for issue by the board of directors on 25 March 2015.

Tian Zhenqing
Director

Cao Wei
Director

The notes on pages 54 to 104 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the eighteen months ended 31 December 2014 (Expressed in HK$)

	Attributable to equity shareholders of the Company								
	Share capital HK$'000 *(Note 23 (c))*	Share premium HK$'000 *(Note 23 (d)(i))*	Capital reserve HK$'000 *(Note 23 (d)(ii))*	Statutory reserves HK$'000 *(Note 23 (d)(iii))*	Exchange reserve HK$'000 *(Note 23 (d)(iv))*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 July 2012	8,000	209,488	17,564	12,967	3,003	88,792	339,814	–	339,814
Changes in equity for the year ended 30 June 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	1,542	96,118	–	–	–	–	97,660	–	97,660
Increase in non-controlling interests through the acquisition of subsidiaries	–	–	–	–	–	–	–	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 54 to 104 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$'000 *(Note 23 (d)(iv))*	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
Balance at 1 July 2013	9,542	285,606	19,816	16,396	7,490	144,405	483,255	6,097	489,352
Changes in equity for the eighteen months ended 31 December 2014:									
Profit for the period	–	–	–	–	–	65,042	65,042	7,721	72,763
Other comprehensive income	–	–	–	–	5,035	–	5,035	147	5,182
Total comprehensive income	–	–	–	–	5,035	65,042	70,077	7,868	77,945
Issuance of shares *(Note 23(c)(ii))*	3,327	411,638	–	–	–	–	414,965	–	414,965
Shares issued under share option scheme *(Note 23(c)(iii))*	191	14,958	(2,625)	–	–	–	12,524	–	12,524
Equity-settled share-based transactions *(Note 21)*	–	–	4,800	–	–	–	4,800	–	4,800
Appropriation to reserves	–	–	–	3,553	–	(3,553)	–	–	–
	3,518	426,596	2,175	3,553	–	(3,553)	432,289	–	432,289
Balance at 31 December 2014	13,060	712,202	21,991	19,949	12,525	205,894	985,621	13,965	999,586

The notes on pages 54 to 104 form part of these financial statements.

Consolidated Cash Flow Statement

For the eighteen months ended 31 December 2014 (Expressed in HK$)

	Note	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Operating activities			
Profit before taxation		**100,635**	72,675
Adjustments for:			
Depreciation and amortisation	*6(b)*	**18,894**	7,009
Interest income	*5*	**(779)**	(59)
Investment income		**–**	(156)
Remeasurement to fair value of pre-existing equity interests in an associate		**–**	(1,795)
Share of profit of an associate		**–**	(3,214)
Equity-settled share-based payment expenses	*6(a)*	**4,800**	2,252
Net (gain)/loss on disposal of fixed assets	*5*	**(84)**	30
Changes in working capital:			
Increase in inventories		**(23,047)**	(338)
Increase in trade and other receivables		**(262,451)**	(43,576)
Increase in trade and other payables		**198,121**	8,320
Cash generated from operations		**36,089**	41,148
Interest received		**779**	59
Income tax paid	*22(a)*	**(18,282)**	(5,517)
Net cash generated from operating activities		**18,586**	35,690
Investing activities			
Payments for purchase of short term investments		**–**	(24,722)
Proceeds from sale of short term investments		**–**	24,878
Payments for the purchase of fixed assets and intangible assets		**(4,258)**	(26,484)
Proceeds from disposal of fixed assets		**128**	5
Cash acquired through the acquisition of subsidiaries		**–**	12,004
Payment for acquisition of business	*24*	**(121,688)**	–
Net cash used in investing activities		**(125,818)**	(14,319)

The notes on pages 54 to 104 form part of these financial statements.

	Note	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Financing activities			
Proceeds from issuance of new shares, net of transaction costs	*23(c)(ii)*	**414,965**	–
Proceeds from the exercise of share options	*23(c)(iii)*	**12,524**	–
Proceeds from issuance of shares by initial public offering		**–**	2,647
Distributions to equity shareholders of the Company	*23(b)(ii)*	**–**	(20,000)
Net cash generated from/(used in) financing activities		**427,489**	(17,353)
Net increase in cash and cash equivalents		**320,257**	4,018
Cash and cash equivalents at 1 July	*19*	**207,239**	203,196
Effect of foreign exchange rate changes		**548**	25
Cash and cash equivalents at 31 December 2014/30 June 2013	*19*	**528,044**	207,239

The notes on pages 54 to 104 form part of these financial statements.

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 (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 16 May 2012. The listing of the Company's shares was transferred from the GEM to the Main Board of the Stock Exchange on 6 December 2013. The consolidated financial statements of the Company as at and for the eighteen months ended 31 December 2014 comprise the Company and its subsidiaries (collectively referred to as the "Group"). The principal activities of the Group are the design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, and the lease of civil communication transmission systems to telecommunication 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 accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance, which for this financial period and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32) in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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

Pursuant to a resolution passed by the board of directors of the Company dated 25 February 2014, the Company's financial year end date has been changed from 30 June to 31 December. Accordingly, the current financial period will cover a period of eighteen months from 1 July 2013 to 31 December 2014. The comparative figures (which cover the financial year from 1 July 2012 to 30 June 2013) for 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 and related notes are not comparable with those of the current period.

The consolidated financial statements for the eighteen months ended 31 December 2014 comprise the Group.

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(c) Changes in accounting policies

The IASB has issued the following amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group and of the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 10, *Consolidated financial statements*
- IFRS 12, *Disclosure of interests in other entities*
- IFRS 13, *Fair value measurement*
- Amendments to IFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impact of the adoption of new or amended IFRSs are discussed below:

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 or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of IFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 July 2013.

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 by IFRS 12 are generally more extensive than those previously required by the respective standards. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 15.

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. To the extent that the requirements are applicable to the Group, the Group has provided those disclosures in Note 26. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (continued)

Amendments to IFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial abilities*, and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with IAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting arrangement or similar agreement which is subject to the disclosures of IFRS 7 during the periods presented.

(d) Subsidiaries and non-controlling interests

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(e) Associate

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method, unless it is classified as held for sale. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 2(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 period 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill

Goodwill represents the excess of:

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

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

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

Goodwill is stated at cost less accumulated impairment losses (see Note 2(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)).

(g) Fixed assets

Fixed assets 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 fixed assets 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 fixed assets 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 fixed assets are recognised in profit or loss as incurred.

Depreciation is calculated to write off the cost of items of fixed assets, 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
Civil communication transmission systems	The shorter of 10 years or the estimated remaining useful lives

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Intangible assets (other than goodwill)

Software developed or 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
Income rights	The shorter of 13 years or the estimated remaining useful lives

Both the period and method of amortisation are reviewed annually.

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

(i) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) Operating lease charges

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets

(i) Impairment of investment in equity securities and receivables

Investment 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 investment in an associate accounted for under the equity method in the consolidated financial statements (see Note 2(e)), the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with Note 2(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).

– 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 periods.

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(ii) Impairment of other assets

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

- fixed assets;
- intangible assets;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

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

- Calculation of recoverable amount

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

- Recognition of impairment losses

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

- Reversals of impairment losses

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare interim financial reports in compliance with IAS 34, *Interim financial reporting*. 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 period (see Notes 2(j)(i) and 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 period 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.

(l) Project contracts in progress

Project contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Note 2(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 are presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue 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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 period in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Share-based payments

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

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior periods is charged/credited to profit or loss for the period 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 at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

(q) Income tax

Income tax for the period 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 period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

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

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

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

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

(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 sales discounts.

(iii) *Rental income from operating leases*

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

(iv) *Interest income*

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

(v) *Government grants*

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

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Translation of foreign currencies

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

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

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

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

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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 impairment, fair value of share options and financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in Notes 2(l) and 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 periods as an adjustment to the amounts recorded to date.

(b) Impairment of receivables

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

(c) Impairment of tangible and intangible assets

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

3 ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

(d) Deferred tax

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

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies, and the lease of civil communication transmission systems to telecommunication 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, sales of application solution related hardware and spare parts, and rental income from the lease of civil communication transmission systems. The amount of each significant category of revenue recognised during the period/year is as follows:

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Revenue from the provision of design and implementation of application solution services	**291,446**	95,294
Revenue from the provision of maintenance of application solution services	**99,286**	64,086
Sales of application solution software	**36,706**	11,292
Sales of application solution related hardware and spare parts	**214,855**	83,463
Rental income from the lease of civil communication transmission systems	**14,948**	–
	657,241	254,135

For the eighteen months ended 31 December 2014, revenues from transactions with three (year ended 30 June 2013: two) customers had exceeded 10% of the Group's revenue. Revenue from these customers amounted to HK$474,649,000 for the eighteen months ended 31 December 2014 (year ended 30 June 2013: HK$211,911,000).

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

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting

The Group manages its businesses by business lines. In view of the acquisition of a new line of business as mentioned in Note 24, namely the lease of civil communication transmission systems, and 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 five 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.
- Rental income: this segment leases civil communication transmission systems.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases:

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the eighteen months ended 31 December 2014 and the year ended 30 June 2013. 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 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 eighteen months ended 31 December 2014 and the year ended 30 June 2013 is set out below.

	Eighteen months ended 31 December 2014					
	Design and implementation HK$'000	Maintenance HK$'000	Software HK$'000	Hardware and spare parts HK$'000	Rental income HK$'000	Total HK$'000
Revenue from external customers and reportable segment revenue	291,446	99,286	36,706	214,855	14,948	657,241
Reportable segment gross profit	101,416	69,451	14,540	43,311	4,651	233,369

4 REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (continued)

(i) Segment results (continued)

	Year ended 30 June 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

(ii) Geographic information

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

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Mainland China	**623,624**	224,026
Hong Kong	**33,408**	28,508
The People's Republic of China (the "PRC") (place of domicile)	**657,032**	252,534
Thailand	**209**	1,601
	657,241	254,135

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

5 OTHER REVENUE AND NET (LOSS)/INCOME

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Other revenue		
Government grants	**1,291**	3,213
Interest income	**779**	59
	2,070	3,272
Other net (loss)/income		
Net foreign exchange loss	**(1,544)**	(30)
Net gain/(loss) on disposal of fixed assets	**84**	(30)
Others	**–**	73
	(1,460)	13

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Salaries, wages and other benefits	**97,489**	24,217
Contributions to defined retirement plans	**8,927**	1,638
Equity-settled share-based payment expenses *(Note 21)*	**4,800**	2,252
	111,216	28,107

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$30,000 (HK$25,000 prior to June 2014). Contributions to the MPF scheme vest immediately.

The Group has no further obligation for payment of other retirement benefits beyond the above annual contributions.

6 PROFIT BEFORE TAXATION (CONTINUED)

(b) Other items

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Cost of inventories *(Note 17(b))*	**271,297**	97,055
Auditor's remuneration		
– statutory audit services	**3,534**	2,450
– other services	**1,426**	1,075
Depreciation and amortisation *(Notes 12 and 13)*	**18,894**	7,009
Operating lease charges in respect of office premise	**13,121**	2,587

7 INCOME TAX

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

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Current taxation *(Note 22(a))*:		
– Hong Kong Profits Tax	**950**	1,054
– PRC Corporate Income Tax	**33,690**	12,555
– PRC Withholding Tax	**–**	1,560
	34,640	15,169
Deferred taxation *(Note 22(b))*:		
– Origination and reversal of temporary differences	**(6,768)**	(1,536)
	27,872	13,633

7 INCOME TAX (CONTINUED)

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

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Profit before taxation	**100,635**	72,675
Expected tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned *(Notes (i), (ii) and (iii))*	**27,180**	19,370
Tax effect of non-deductible expenses	**6,245**	3,885
Tax effect of non-taxable income	**(391)**	(1,099)
Tax effect of unused tax losses not recognised *(Note 22(c))*	**–**	368
Tax concessions *(Notes (iv) and (v))*	**(4,794)**	(8,390)
Tax effect of recognition of prior periods' unused tax losses previously not recognised	**(368)**	–
Tax effect of share of profit of an associate	**–**	(804)
Recognition of deferred taxation arising from the change of estimated useful lives of intangible assets	**–**	(1,257)
Tax effect of PRC Withholding Tax *(Note (vi))*	**–**	1,560
Income tax	**27,872**	13,633

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 eighteen months ended 31 December 2014 (year ended 30 June 2013: 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 eighteen months ended 31 December 2014 (year ended 30 June 2013: 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 2015.

(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:

	Eighteen months ended 31 December 2014						
	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	1,800	176	505	98	2,579	75	2,654
Xuan Jing (appointed on 27 June 2014)	–	–	–	–	–	–	–
Chen Rui (resigned on 1 June 2014)	1,100	–	–	–	1,100	–	1,100
Shao Kai (appointed on 4 March 2015)	–	–	–	–	–	–	–
Non-executive directors							
Tian Zhenqing	–	–	–	–	–	–	–
Hao Weiya (appointed on 6 August 2013)	–	–	–	–	–	–	–
Zhang Jie (appointed on 27 June 2014)	–	–	–	–	–	–	–
Steven Bruce GALLAGHER (resigned on 13 October 2014)	300	–	–	–	300	25	325
Independent non-executive directors							
Bai Jinrong	360	–	–	–	360	–	360
Luo Zhenbang	360	–	–	–	360	–	360
Huang Lixin (appointed on 9 July 2014)	120	–	–	–	120	–	120
Hu Zhaoguang (resigned on 9 July 2014)	–	–	–	–	–	–	–
	4,040	176	505	98	4,819	100	4,919

8 DIRECTORS' REMUNERATION (CONTINUED)

	Year ended 30 June 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
	3,330	34	–	15	3,379	189	3,568

There were no amounts paid during the eighteen months ended 31 December 2014 to the directors or any of the five highest paid individuals set out in Note 9 as an inducement to join or upon joining the Group or as compensation for loss of office. Other than Mr Hu Zhaoguang, who resigned on 9 July 2014, no other directors waived or agreed to waive any emoluments during the period. Mr Hu Zhaoguang waived his directors' fees of HK$120,000 during the eighteen months ended 31 December 2014 before his resignation (year ended 30 June 2013: HK$240,000).

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one (year ended 30 June 2013: two) is a director whose emoluments are disclosed in Note 8. The aggregate of the emoluments in respect of the other four (year ended 30 June 2013: three) individuals are as follows:

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Salaries, allowances and benefits in kind	**4,931**	2,483
Discretionary bonuses	**1,692**	286
Retirement scheme contributions	**197**	45
Share-based payments *(Note 21)*	**1,125**	246
	7,945	3,060

The emoluments of the four (year ended 30 June 2013: three) individuals who are not directors and who are amongst the five highest paid individuals of the Group are within the following bands:

	Eighteen months ended 31 December 2014	Year ended 30 June 2013
HK$Nil – HK$1,000,000	**–**	2
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**3**	–
HK$2,000,001 – HK$2,500,000	**1**	–

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$21,587,000 (year ended 30 June 2013: HK$14,905,000) 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 eighteen months ended 31 December 2014 is based on the profit attributable to ordinary equity shareholders of the Company of HK$65,042,000 (year ended 30 June 2013: HK$59,042,000) and the weighted average of 1,084,725,000 ordinary shares (year ended 30 June 2013: 801,267,000 ordinary shares) in issue during the period, calculated as follows:

	Eighteen months ended 31 December 2014 '000	Year ended 30 June 2013 '000
Issued ordinary shares at 1 July	**954,192**	800,000
Effect of shares issued on the acquisition of subsidiaries	**–**	1,267
Effect of shares issued on 3 June 2014 and 10 June 2014 *(Note 23(c)(ii))*	**127,402**	–
Effect of shares issued under share option scheme *(Note 23(c)(iii))*	**3,131**	–
Weighted average number of ordinary shares at 31 December 2014/30 June 2013	**1,084,725**	801,267

(b) Diluted earnings per share

The calculation of diluted earnings per share for the eighteen months ended 31 December 2014 is based on the profit attributable to ordinary equity shareholders of the Company of HK$65,042,000 (year ended 30 June 2013: HK$59,042,000) and the weighted average number of ordinary shares (diluted) of 1,108,209,000 (year ended 30 June 2013: 804,886,000 ordinary shares (diluted)), calculated as follows:

	Eighteen months ended 31 December 2014 '000	Year ended 30 June 2013 '000
Weighted average number of ordinary shares at 31 December 2014/30 June 2013	**1,084,725**	801,267
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(Note 21)*	**23,484**	3,619
Weighted average number of ordinary shares (diluted) at 31 December 2014/30 June 2013	**1,108,209**	804,886

12 FIXED ASSETS

The Group

	Leasehold improvements HK$'000	Office equipment, motor vehicles and others HK$'000	Electronic equipment HK$'000	Civil communication transmission systems HK$'000	Total HK$'000
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	–	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	–	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
Cost:					
At 1 July 2013	**738**	**1,859**	**2,820**	**–**	**5,417**
Exchange adjustments	**–**	**20**	**23**	**–**	**43**
Additions	**–**	**2,474**	**1,760**	**–**	**4,234**
Additions through acquisition of business *(Note 24)*	**–**	**–**	**–**	**115,284**	**115,284**
Disposals	**–**	**(327)**	**(182)**	**–**	**(509)**
At 31 December 2014	**738**	**4,026**	**4,421**	**115,284**	**124,469**
Accumulated depreciation:					
At 1 July 2013	**453**	**921**	**1,902**	**–**	**3,276**
Exchange adjustments	**–**	**10**	**19**	**16**	**45**
Additions through acquisition of business *(Note 24)*	**–**	**–**	**–**	**47,774**	**47,774**
Charge for the period	**243**	**852**	**823**	**3,813**	**5,731**
Written back on disposals	**–**	**(311)**	**(154)**	**–**	**(465)**
At 31 December 2014	**696**	**1,472**	**2,590**	**51,603**	**56,361**
Net book value:					
At 31 December 2014	**42**	**2,554**	**1,831**	**63,681**	**68,108**

13 INTANGIBLE ASSETS

The Group

	Software HK$'000	Golf club membership HK$'000	Income rights HK$'000	Total HK$'000
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	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	52	–	–	52
At 30 June 2013	19,747	–	–	19,747
Carrying amount:				
At 30 June 2013	69,506	754	–	70,260
Cost:				
At 1 July 2013	**89,253**	**754**	**–**	**90,007**
Exchange adjustments	**611**	**6**	**–**	**617**
Additions	**24**	**–**	**–**	**24**
Additions through acquisition of business *(Note 24)*	**–**	**–**	**57,085**	**57,085**
At 31 December 2014	**89,888**	**760**	**57,085**	**147,733**
Accumulated amortisation and impairment losses:				
At 1 July 2013	**19,747**	**–**	**–**	**19,747**
Exchange adjustments	**218**	**–**	**8**	**226**
Charge for the period	**11,347**	**–**	**1,816**	**13,163**
At 31 December 2014	**31,312**	**–**	**1,824**	**33,136**
Carrying amount:				
At 31 December 2014	**58,576**	**760**	**55,261**	**114,597**

14 GOODWILL

	The Group HK$'000
Cost:	
At 1 July 2012	–
Addition through acquisition of subsidiaries	57,368
At 30 June 2013 and 1 July 2013	57,368
Exchange adjustments	442
Addition through acquisition of business *(Note 24)*	11,365
At 31 December 2014	69,175
Accumulated impairment losses:	
At 1 July 2012, 30 June 2013, 1 July 2013 and 31 December 2014	–
Carrying amount:	
At 31 December 2014	**69,175**
At 30 June 2013	**57,368**

Impairment test for cash-generating units containing goodwill

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

	Note	**At 31 December 2014 HK$'000**	At 30 June 2013 HK$'000
Operations in the provision of application solutions related services	*(i)*	**57,810**	57,368
Operations related to the civil communication transmission systems business	*(ii)*	**11,365**	–
		69,175	57,368

Note (i): The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3% (30 June 2013: 3%). The cash flows are discounted using a discount rate of 16% (30 June 2013: 16%). The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

Note (ii): The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets prepared by the directors of the Company covering a thirteen-year period. The cash flows are discounted using a discount rate of 16.5%. The discount rates used are pre-tax and reflect specific risks relating to the relevant CGU.

15 INVESTMENTS IN SUBSIDIARIES

	The Company	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Unlisted shares, at cost	**394,110**	139,475

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	Held by the Company	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	1,000 shares	100%	–	100%	Design, implementation and maintenance of application solutions for the networking and controlling systems of public transport companies
Beijing BII-ERG Transportation Technology Co., Ltd. ("BII ERG")* 北京京投億雅捷交通科技有限公司***	The PRC	RMB20,000,000	90%	–	90%	Design, implementation and sale, and maintenance, of application solutions for the networking and controlling systems of public transport and other companies
Beijing BII Technology Development Co., Ltd.* 北京京投卓越科技發展有限公司**	The PRC	RMB200,000,000	100%	–	100%	Design and sale of application solution software, and the lease of civil communication transmission systems to telecommunication companies

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

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

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

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The following table lists out the financial information of BII ERG, the only subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Eighteen months ended 31 December 2014 HK$'000
Turnover	**499,479**
Profit for the period	**77,210**
Profit attributable to NCI	**7,721**

	At 31 December 2014 HK$'000
Non-current assets	**20,401**
Current assets	**506,105**
Current liabilities	**(382,513)**
Non-current liabilities	**(4,344)**
Net assets	**139,649**
Net assets attributable to NCI	**13,965**

16 INTEREST IN AN ASSOCIATE

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 during the year ended 30 June 2013.

17 INVENTORIES

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

	The Group	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Application solution related hardware and spare parts	**7,479**	6,413
Application solution software	**22,810**	–
Materials to be assigned to services contracts	**2,798**	3,627
	33,087	10,040

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

	The Group	
	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Carrying amount of inventories sold	**271,297**	97,055

18 TRADE AND OTHER RECEIVABLES

	Note	The Group		The Company	
		At 31 December 2014 HK$'000	At 30 June 2013 HK$'000	**At 31 December 2014 HK$'000**	At 30 June 2013 HK$'000
Trade receivables due from:	*18(a), (b), (d)*				
– third parties		**223,475**	90,802	**–**	–
– equity shareholders of the Company and their affiliates		**60,719**	92,029	**–**	–
– an equity holder of the non-controlling equity holder of a subsidiary of the Group		**20,052**	19,581	**–**	–
		304,246	202,412	**–**	–
Gross amount due from customers for contract work:	*18(c)*				
– third parties		**190,766**	60,936	**–**	–
– an affiliate of an equity shareholder of the Company		**75,861**	25,629	**–**	–
– an equity holder of the non-controlling equity holder of a subsidiary of the Group		**3,365**	–	**–**	–
		269,992	86,565	**–**	–
Amounts due from related parties:	*18(e)*				
– equity shareholders of the Company and their affiliates		**174**	1,151	**18**	18
– the ultimate holding company of the Company		**6,402**	–	**–**	–
– subsidiaries of the Group		**–**	–	**43,042**	152,097
		6,576	1,151	**43,060**	152,115
Prepayments, deposits and other receivables		**23,633**	51,868	**199**	1,501
		604,447	341,996	**43,259**	153,616

Except for HK$14,325,000 (30 June 2013: HK$1,451,000), 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	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Within 1 month	**214,048**	57,314
More than 1 month but less than 3 months	**10,084**	28,385
More than 3 months but less than 6 months	**6,482**	12,361
More than 6 months	**73,632**	104,352
	304,246	202,412

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	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Current	**18,044**	2,805
Less than 1 month past due	**198,579**	54,790
1 to 3 months past due	**10,084**	28,385
3 to 6 months past due	**6,482**	12,361
More than 6 months past due	**71,057**	104,071
	304,246	202,412

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

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

18 TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Project contracts in progress

At 31 December 2014, 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$472,473,000 (30 June 2013: HK$129,025,000).

(d) Retention receivables

At 31 December 2014, included in trade receivables are retention receivables in respect of project contracts of HK$16,900,000 (30 June 2013: HK$1,451,000).

(e) Amounts due from related parties

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

During the eighteen months ended 31 December 2014, the Company waived an aggregate amount of HK$251,005,000 due from an indirectly wholly-owned subsidiary. The waived of receivable was accounted for as a capital contribution to this subsidiary.

19 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000	**At 31 December 2014 HK$'000**	At 30 June 2013 HK$'000
Cash at bank and on hand	**528,044**	207,239	**285,179**	18,966

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

	Note	The Group		The Company	
		At 31 December 2014 HK$'000	At 30 June 2013 HK$'000	**At 31 December 2014 HK$'000**	At 30 June 2013 HK$'000
Trade payables due to:	*20(a)*				
– third parties		**288,792**	100,099	**–**	–
– equity shareholders of the Company		**–**	7,272	**–**	–
Bills payables		**10,428**	14,090	**–**	–
		299,220	121,461	**–**	–
Amounts due to related parties:	*20(b)*				
– an affiliate of an equity shareholder of the Company		**10,970**	8,651	**–**	–
– the ultimate holding company of the Company		**4,969**	–	**–**	–
– a subsidiary of the Group		**–**	–	**1,126**	1,351
		15,939	8,651	**1,126**	1,351
Other taxes payables		**21,187**	18,987	**–**	–
Accrued expenses and other payables		**10,932**	5,387	**14**	–
		32,119	24,374	**14**	–
Financial liabilities measured at amortised cost		**347,278**	154,486	**1,140**	1,351
Receipts in advance from:					
– third parties		**16,756**	3,325	**–**	–
– an equity holder of the non-controlling equity holder of a subsidiary of the Group		**–**	11,896	**–**	–
		16,756	15,221	**–**	–
		364,034	169,707	**1,140**	1,351

At 31 December 2014, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

20 TRADE AND OTHER PAYABLES (CONTINUED)

(a) Ageing analysis

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

	The Group	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Due within 1 month or on demand	**288,792**	107,371
Due after 1 month but within 6 months	**10,428**	14,090
	299,220	121,461

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

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

(Expressed in HK$ unless otherwise indicated)

21 EQUITY-SETTLED SHARE-BASED TRANSACTION (CONTINUED)

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

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

21 EQUITY-SETTLED SHARE-BASED TRANSACTION (CONTINUED)

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

	Eighteen months ended 31 December 2014		Year ended 30 June 2013	
	Weighted average exercise price	**Number of share options '000**	Weighted average exercise price	Number of share options '000
Outstanding at the beginning of the period/year	**HK$0.656**	**35,732**	–	–
Granted during the period/year	**HK$1.885**	**40,000**	HK$0.656	39,200
Exercised during the period/year	**HK$0.656**	**(19,092)**	–	–
Forfeited during the period/year	**HK$0.656**	**(1,504)**	HK$0.656	(3,468)
Outstanding at the end of the period/year	**HK$1.548**	**55,136**	HK$0.656	35,732
Exercisable at the end of the period/year	**HK$0.842**	**9,118**	–	–

The weighted average share price at the date of exercise for share options exercised during the eighteen months ended 31 December 2014 was HK$2.20 (year ended 30 June 2013: no share option was exercised).

The share options outstanding at 31 December 2014 had a weighted average exercise price of HK$1.548 (30 June 2013:HK$0.656) and a weighted average remaining contractual life of 3.94 years (30 June 2013: 4.07 years).

(Expressed in HK$ unless otherwise indicated)

21 EQUITY-SETTLED SHARE-BASED TRANSACTION (CONTINUED)

(c) Fair value and assumptions of share options granted on 31 December 2013 and 5 December 2014

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	**Share options granted on 5 December 2014**	Share options granted on 31 December 2013
Fair value at measurement date	**HK$0.60034 to HK$0.69551**	HK$0.1935 to HK$0.2149
Share price	**HK$2.69**	HK$1.080
Exercise price	**HK$2.69**	HK$1.080
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes Model)	**31.25%**	30.52%
Option life (expressed as weighted average life used in the modelling under the Black-Scholes Model)	**3.55 years**	3.55 years
Expected dividends	**–**	2.315%
Risk-free interest rate (based on Exchange Fund Notes of Hong Kong)	**0.666% to 1.022%**	0.662% to 1.035%

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 was 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	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Income tax payable at 1 July	**28,408**	18,714
Provision for income tax on the estimated taxable profits for the period/year *(Note 7(a))*	**34,640**	15,169
Addition through acquisition of subsidiaries	**–**	42
Income tax paid during the period/year	**(18,282)**	(5,517)
Income tax payable at 31 December 2014/30 June 2013	**44,766**	28,408

(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/period are as follows:

The Group

	Assets				Liabilities	
Deferred tax arising from:	**Amortisation and depreciation expenses in excess of the tax allowances** HK$'000	**Accruals** HK$'000	**Unused tax losses** HK$'000	**Total** HK$'000	**Fair value adjustments on intangible assets and related amortisation** HK$'000	**Net** HK$'000
At 1 July 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
Additions through acquisition of subsidiaries	–	19	–	19	(5,111)	(5,092)
At 30 June 2013	3,515	19	–	3,534	(5,111)	(1,577)
Exchange adjustments	36	–	10	46	(37)	9
Credited/(charged) to the consolidated statement of profit or loss *(Note 7(a))*	3,140	(19)	2,426	5,547	1,221	6,768
Addition through acquisition of business *(Note 24)*	–	–	–	–	(14,272)	(14,272)
At 31 December 2014	6,691	–	2,436	9,127	(18,199)	(9,072)

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

(c) Deferred tax assets not recognised

In accordance with the accounting policy set out in Note 2(q), the Group has no significant unrecognised deferred tax assets at 31 December 2014 (30 June 2013: HK$1,472,000).

(d) Deferred tax liabilities not recognised

At 31 December 2014, temporary differences relating to the retained profits of the subsidiaries of the Group established in the PRC amounted to HK$294,942,000 (30 June 2013: HK$166,835,000) 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/period 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 2012	8,000	209,488	40,955	(12,744)	245,699
Changes in equity for the year ended 30 June 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	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
At 1 July 2013	9,542	285,606	43,207	(27,649)	310,706
Changes in equity for the eighteen months ended 31 December 2014:					
Total comprehensive income	–	–	–	(21,587)	(21,587)
Issuance of shares *(Note 23(c)(ii))*	3,327	411,638	–	–	414,965
Shares issued under share option scheme *(Note 23(c)(iii))*	191	14,958	(2,625)	–	12,524
Equity-settled share-based transactions *(Note 21)*	–	–	4,800	–	4,800
	3,518	426,596	2,175	(21,587)	410,702
At 31 December 2014	13,060	712,202	45,382	(49,236)	721,408

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(b) Dividends/distributions

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

The directors of the Company do not recommend the payment of a final dividend/distribution for the eighteen months ended 31 December 2014 (year ended 30 June 2013: HK$Nil).

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

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Final distribution in respect of the previous financial year, approved and paid during the following period, of HK$Nil per ordinary share (year ended 30 June 2013: HK$0.025 per ordinary share)	–	20,000

(c) Share capital

(i) Authorised and issued share capital

	At 31 December 2014		At 30 June 2013	
	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	**954,192,094**	**9,542**	800,000,000	8,000
Issuance of shares for acquisition of subsidiaries	–	–	154,192,094	1,542
Issuance of shares on 3 June 2014 and 10 June 2014 *(Note 23(c)(ii))*	**332,691,575**	**3,327**	–	–
Issuance of shares under share option scheme *(Note 23(c)(iii))*	**19,092,000**	**191**	–	–
At 31 December 2014/ 30 June 2013	**1,305,975,669**	**13,060**	954,192,094	9,542

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(c) Share capital (continued)

(ii) Issuance of shares

On 3 June 2014, Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK"), an existing equity shareholder of the Company, subscribed for 248,804,313 new ordinary shares issued by the Company at a price of HK$1.25 each. On 10 June 2014, various third parties subscribed for an aggregate of 83,887,262 new ordinary shares issued by the Company at a price of HK$1.25 each. The proceeds of HK$3,327,000 received by the Company, representing the par value, were credited to the Company's share capital. The remaining proceeds received by the Company, net of transaction costs, of HK$411,638,000 were credited to the Company's share premium account.

(iii) Issuance of shares under share option scheme

During the eighteen months ended 31 December 2014, share options were exercised to subscribe for 19,092,000 ordinary shares in the Company at a consideration of HK$12,524,000 of which HK$191,000 was credited to share capital and the balance of HK$12,333,000 was credited to the share premium account. HK$2,625,000 has been transferred from the capital reserve to the share premium account in accordance with accounting policy set out in Note 2(p)(ii).

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

Exercise period	Exercise price	At 31 December 2014 Number '000
26 July 2013 to 25 July 2017	HK$0.656	1,235
26 July 2014 to 25 July 2017	HK$0.656	3,883
26 July 2015 to 25 July 2017	HK$0.656	10,018
31 December 2014 to 30 December 2018	HK$1.080	4,000
31 December 2015 to 30 December 2018	HK$1.080	10,000
31 December 2016 to 30 December 2018	HK$1.080	6,000
5 December 2015 to 4 December 2019	HK$2.690	4,000
5 December 2016 to 4 December 2019	HK$2.690	10,000
5 December 2017 to 4 December 2019	HK$2.690	6,000
		55,136

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.

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Capital reserve

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

(iii) Statutory reserves

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

(iv) Exchange reserve

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

(e) Distributable reserves

At 31 December 2014, 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$712,202,000 (30 June 2013: HK$285,606,000). The directors of the Company do not recommend the payment of a final dividend/distribution for the eighteen months ended 31 December 2014 (year ended 30 June 2013: HK$Nil).

(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.

23 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS (CONTINUED)

(f) Capital management (continued)

During the eighteen months ended 31 December 2014, the Group's strategy was to maintain the adjusted debt-to-capital ratio at a level similar to the year ended 30 June 2013. 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 31 December 2014 and 30 June 2013 is as follows:

	The Group	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Trade and other payables	**364,034**	169,707
Total equity	**999,586**	489,352
Adjusted debt-to-capital ratio	**36.4%**	34.7%

	The Company	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Accrued expenses and other payables	**1,140**	1,351
Total equity	**721,408**	310,706
Adjusted debt-to-capital ratio	**0.2%**	0.4%

24 ACQUISITION OF BUSINESS

On 31 August 2014, the Group acquired the civil communication transmission systems and the respective income rights of seven subway lines and the civil communication income rights of the airport line of the Beijing Subway from the ultimate holding company of the Company, Beijing Infrastructure Investment Co., Ltd. ("BII"), at a consideration of RMB96,000,000 (equivalent to approximately HK$121,688,000).

The directors of the Company consider the acquisition represents a valuable opportunity for the Group to diversify its business operation into another aspect of the railway transport system by including the provision of civil communication services in the Beijing Subway, as part of its development focus over the value chain of the Beijing railway transportation system. The acquisition is expected to enable the Group to expand its business scope with an objective to broaden its income source and enhance its financial performance.

24 ACQUISITION OF BUSINESS (CONTINUED)

The identifiable assets acquired and liabilities assumed in the above acquisition were as follows:

	Pre-acquisition carrying amounts HK$'000	**Fair value adjustments** HK$'000	**Recognised values on the acquisition** HK$'000
Fixed assets *(Note 12)*	67,510	–	67,510
Intangible assets *(Note 13)*	–	57,085	57,085
Deferred tax liabilities *(Note 22(b))*	–	(14,272)	(14,272)
Net fair value of the identifiable assets acquired and liabilities assumed in the acquisition	67,510	42,813	110,323
Goodwill *(Note 14)*			11,365
Consideration settled in cash			121,688

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 fixed assets and intangible assets, the directors of the Company have referenced the fair value adjustment to valuation report issued by an independent valuer. The valuation methods adopted for fixed assets and intangible assets were the depreciated replacement cost method and the multi-period excess earnings method, respectively.

From the date of the acquisition to 31 December 2014, the above acquisition contributes turnover of HK$14,948,000 and net profit of HK$3,944,000 to the Group for the eighteen months ended 31 December 2014. If the acquisition had occurred on 1 July 2013, management estimates that consolidated turnover and consolidated net profit for the eighteen months ended 31 December 2014 would have been HK$709,561,000 and HK$86,566,000, respectively.

25 OPERATING LEASE COMMITMENTS

(a) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Within 1 year	**9,227**	2,472
After 1 year but within 5 years	**5,598**	473
	14,825	2,945

The Group leases certain office premises under operating leases. The leases typically run for an initial period of 1 to 5 years, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent lease rentals.

25 OPERATING LEASE COMMITMENTS (CONTINUED)

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	At 31 December 2014 HK$'000	At 30 June 2013 HK$'000
Within 1 year	**39,249**	–
After 1 year but within 5 years	**14,646**	–
	53,895	–

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

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At 31 December 2014, 48% (30 June 2013: 45%) of the trade receivables were due from the Group's largest debtor, and 84% (30 June 2013: 78%) 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

	At 31 December 2014		At 30 June 2013	
	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	**347,278**	**347,278**	154,486	154,486

The Company

	At 31 December 2014		At 30 June 2013	
	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 and other payables	**1,140**	**1,140**	1,351	1,351

(c) Interest rate risk

The Group is not exposed to significant interest rate risk, as the Group does not have any interest bearing borrowings at 31 December 2014 and 30 June 2013.

(d) Foreign currency exchange risk

For presentation purposes, the Group and the Company's financial statements are shown in HK$. The companies within the Group, whose functional currencies are different from HK$, have translated their financial statements into HK$ for consolidation purpose. At 31 December 2014 and 30 June 2013, all companies comprising the Group have no significant financial instruments that were denominated in a currency other than the respective functional currencies in which they were measured.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 31 December 2014 and 30 June 2013.

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 period/year are set out below.

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

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Provision of design and implementation of application solution services	73,336	1,601
Provision of maintenance of application solution services	69,443	–
Sales of application solution software	14,072	–
Sales of application solution related hardware and spare parts	7,582	–
Technical service costs	3,725	2,411
Software development costs	–	1,400
Operating lease expenses	8,644	–
Net (decrease)/increase in advances granted	(977)	258

(b) Transaction with the ultimate holding company of the Company

Please refer to Note 24 for further details on the Group's acquisition of the civil communication transmission systems from BII. The related revenues and costs from the date of completion of the above acquisition to 31 December 2014 were collected and paid, respectively, by BII on behalf of the Group, and they are expected to be recovered and settled, respectively, within one year.

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

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Sales of application solution related hardware and spare parts	35,797	–
Net decrease in receipts in advance received	(11,896)	–

(d) Transactions with an associate of the Group

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Sales of application solution software	–	977
Technical service costs	–	2,316
Purchase of application solution related hardware and spare parts	–	75,060
Net increase in advances granted	–	13,053

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Transactions with subsidiaries of the Group entered into by the Company

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Net (decrease)/increase in advances granted	(109,055)	118,198
Net (decrease)/increase in advances received	(225)	1,101

Please refer to Note 18(e) for further details on the waived of amount due from a subsidiary of the Group.

(f) 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:

	Eighteen months ended 31 December 2014 HK$'000	Year ended 30 June 2013 HK$'000
Short-term employee benefits	17,473	6,911
Retirement scheme contributions	546	129
Equity compensation benefits	1,470	651
	19,489	7,691

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

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

The ultimate holding company of the Company, BII, is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Notes 27(a) and 27(b) above, the Group also has transactions with other state-controlled entities, included but not limited to the following:

- provision of design and implementation of application solution services;
- sales of application solution related hardware and spare parts;
- lease of civil communication transmission systems; and
- bank deposits.

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

For the eighteen months ended 31 December 2014, the above related party transactions in respect of the provision of design and implementation of application solution services, the provision of maintenance of application solution services, sales of application solution software, sales of application solution related hardware and spare parts, technical service, software development service, and operating leases, with affiliates of equity shareholders of the Company and an equity holder of the non-controlling equity holder of a subsidiary of the Group, where applicable, constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. The disclosures required by Chapter 14A of the Listing Rules are provided in section "Connected transactions" of the Directors' Report.

(Expressed in HK$ unless otherwise indicated)

28 IMMEDIATE AND ULTIMATE HOLDING COMPANY

At 31 December 2014, the directors of the Company consider the immediate and ultimate controlling party of the Company to be BII HK, a company incorporated in Hong Kong, and BII, a company established in the PRC, respectively. Neither of these companies produces financial statements available for public use.

29 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2014

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 eighteen months ended 31 December 2014 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
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, *Recoverable amount disclosures for non-financial assets*	1 January 2014
Annual improvements to IFRSs 2010-2012 cycle	1 July 2014
Annual improvements to IFRSs 2011-2013 cycle	1 July 2014
Annual improvements to IFRSs 2012-2014 cycle	1 January 2016
Amendments to IAS 16 and IAS 38, *Clarification of acceptable methods of depreciation and amortisation*	1 January 2016
Amendments to IAS 27, *Equity method in separate financial statements*	1 January 2016
Amendments to IAS 1, *Disclosure initiative*	1 January 2016
IFRS 15, *Revenue from contracts with customers*	1 January 2017
IFRS 9, *Financial instruments*	1 January 2018

30 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE EIGHTEEN MONTHS ENDED 31 DECEMBER 2014 (CONTINUED)

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 except for IFRS 15, *Revenue from contracts with customers*, for which the Group is still under the process in assessing the impact of its application, the adoption of the remaining amendments is unlikely to have a significant impact on the consolidated financial statements.

In addition, the requirements of Part 9, "Accounts and Audit", of the new Hong Kong Companies Ordinance (Cap. 622) come into operation from the Company's first financial year commencing after 3 March 2014 (i.e. the Company's financial year which began on 1 January 2015) in accordance with section 358 of that Ordinance. The Group is in the process of making an assessment of the expected impact of the change in the Companies Ordinance on the consolidated financial statements in the period of initial application of Part 9. So far it has concluded that the impact is unlikely to be significant and will primarily only affect the presentation and disclosure of information in the consolidated 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