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中國城市軌道交通科技控股



CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY

中國城市軌道交通科技控股有限公司

CHINA CITY RAILWAY TRANSPORTATION TECHNOLOGY HOLDINGS COMPANY LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1522)

**SECOND INTERIM RESULTS ANNOUNCEMENT
FOR THE TWELVE MONTHS ENDED 30 JUNE 2014**

The board (“Board”) of directors (“Directors”) of China City Railway Transportation Technology Holdings Company Limited (the “Company”) are pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the twelve months ended 30 June 2014.

This condensed consolidated second interim financial information has not been audited, but has been reviewed by the Company’s audit committee and, in accordance with the Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Accountants, by the Company’s independent auditor, KPMG.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the twelve months ended 30 June 2014**(Expressed in Hong Kong dollars (“HK\$”))*

		Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
	<i>Note</i>		
Revenue	4	439,790	254,135
Cost of sales		<u>(289,634)</u>	<u>(155,992)</u>
Gross profit	4(b)	150,156	98,143
Other revenue		1,586	3,272
Other net (loss)/income		(1,427)	13
Selling, general and administrative expenses		<u>(87,924)</u>	<u>(33,918)</u>
Profit from operations		62,391	67,510
Investment income		–	156
Remeasurement to fair value of pre-existing equity interests in an associate		–	1,795
Share of profit of an associate		–	<u>3,214</u>
Profit before taxation	5	62,391	72,675
Income tax	6	<u>(14,155)</u>	<u>(13,633)</u>
Profit for the period/year		<u>48,236</u>	<u>59,042</u>
Attributable to:			
Equity shareholders of the Company		44,835	59,042
Non-controlling interests		<u>3,401</u>	–
Profit for the period/year		<u>48,236</u>	<u>59,042</u>
Earnings per share			
– Basic (HK\$)	7(a)	<u>0.046</u>	<u>0.074</u>
– Diluted (HK\$)	7(b)	<u>0.045</u>	<u>0.073</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the twelve months ended 30 June 2014

(Expressed in HK\$)

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Profit for the period/year	48,236	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	1,107	4,924
– Reclassification of exchange differences on loss of significance influence	–	(437)
Total comprehensive income for the period/year	<u>49,343</u>	<u>63,529</u>
Attributable to:		
Equity shareholders of the Company	45,908	63,529
Non-controlling interests	3,435	–
Total comprehensive income for the period/year	<u>49,343</u>	<u>63,529</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2014

(Expressed in HK\$)

		At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	8	4,105	2,141
Intangible assets	9	64,672	70,260
Goodwill	10	57,529	57,368
Deferred tax assets		10,894	3,534
		<u>137,200</u>	<u>133,303</u>
Current assets			
Inventories	11	16,912	10,040
Trade and other receivables	12	589,572	341,996
Cash and cash equivalents	13	606,964	207,239
		<u>1,213,448</u>	<u>559,275</u>
Current liabilities			
Trade and other payables	14	354,708	169,707
Current taxation		34,498	28,408
		<u>389,206</u>	<u>198,115</u>
Net current assets		<u>824,242</u>	<u>361,160</u>
Total assets less current liabilities		961,442	494,463
Non-current liabilities			
Deferred tax liabilities		4,614	5,111
NET ASSETS		<u>956,828</u>	<u>489,352</u>
CAPITAL AND RESERVES			
Share capital		12,873	9,542
Reserves		934,423	473,713
Total equity attributable to equity shareholders of the Company		947,296	483,255
Non-controlling interests		9,532	6,097
TOTAL EQUITY		<u>956,828</u>	<u>489,352</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the twelve months ended 30 June 2014

(Expressed in HK\$)

	Attributable to equity shareholders of the Company							Non- controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	Retained profits	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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 16(a)(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 15)	–	–	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
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 twelve months ended 30 June 2014:									
Profit for the period	–	–	–	–	–	44,835	44,835	3,401	48,236
Other comprehensive income	–	–	–	–	1,073	–	1,073	34	1,107
Total comprehensive income	–	–	–	–	1,073	44,835	45,908	3,435	49,343
Issuance of shares (Note 16(b))	3,327	411,638	–	–	–	–	414,965	–	414,965
Shares issued under share option scheme	4	303	(44)	–	–	–	263	–	263
Equity-settled share-based transactions (Note 15)	–	–	2,905	–	–	–	2,905	–	2,905
Appropriation to reserves	–	–	–	3,553	–	(3,553)	–	–	–
	3,331	411,941	2,861	3,553	–	(3,553)	418,133	–	418,133
Balance at 30 June 2014	12,873	697,547	22,677	19,949	8,563	185,687	947,296	9,532	956,828

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

for the twelve months ended 30 June 2014

(Expressed in HK\$)

		Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Cash generated from operations		4,842	41,148
Interest income received		209	59
Income tax paid		(15,923)	(5,517)
Net cash (used in)/generated from operating activities		(10,872)	35,690
Investing activities			
Payments for the purchase of property, plant and equipment and intangible assets		(5,005)	(26,484)
Other cash flows arising from investing activities		125	12,165
Net cash used in investing activities		(4,880)	(14,319)
Financing activities			
Proceeds from issuance of new shares		414,965	–
Proceeds from the exercise of share options		263	–
Proceeds from issuance of shares by initial public offering		–	2,647
Distributions to equity shareholders of the Company		–	(20,000)
Net cash generated from/(used in) financing activities		415,228	(17,353)
Net increase in cash and cash equivalents		399,476	4,018
Cash and cash equivalents at 1 July	<i>13</i>	207,239	203,196
Effect of foreign exchange rate changes		249	25
Cash and cash equivalents at 30 June	<i>13</i>	606,964	207,239

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

(Expressed in HK\$ unless otherwise indicated)

1 CORPORATE INFORMATION

China City Railway Transportation Technology Holdings Company Limited (the “Company”) was incorporated in the Cayman Islands on 7 January 2011 as an exempted company with limited liability under the Companies Law (2011 Revision), Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The shares of the Company were listed on the Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 16 May 2012 (the “Listing”). 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 condensed consolidated second interim financial statements of the Company as at and for the twelve months ended 30 June 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.

2 BASIS OF PREPARATION

Pursuant to a resolution passed by the board of directors (the “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. These condensed interim financial statements now presented cover a period of twelve months from 1 July 2013 to 30 June 2014. The comparative figures presented for the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement and related notes cover the financial year from 1 July 2012 to 30 June 2013.

The unaudited condensed financial information for the twelve months ended 30 June 2014 (the “Second Interim Financial Information”) has been prepared in accordance with the same accounting policies adopted in the 2013 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2014 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The Second Interim Financial Information contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2013 annual financial statements. The Second Interim Financial Information and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The Second Interim Financial Information is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants.

3 CHANGES IN ACCOUNTING POLICIES

The IASB has issued several amendments to IFRSs that are first effective for the current accounting period of the Group 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. Since those disclosure requirements only apply to a full set of financial statements, the Group has not made additional disclosures in this Second Interim Financial Information as a result of adopting IFRS 12.

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. Some of the disclosures are specifically required for financial instruments in the interim financial report. The adoption of IFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

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*, 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 the Group's Second Interim Financial Information 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.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

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

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Revenue from the provision of design and implementation of application solution services	156,698	95,294
Revenue from the provision of maintenance of application solution services	69,803	64,086
Sales of application solution software	36,506	11,292
Sales of application solution related hardware and spare parts	176,783	83,463
	439,790	254,135

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

(b) Segment reporting

The Group manages its businesses by business lines. In a manner consistent with the way in which the information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments:

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

(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 twelve months ended 30 June 2014 and the year ended 30 June 2013. The Group's other income and expense items, such as selling, general and administrative expenses 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 and interest income is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the twelve months ended 30 June 2014 and the year ended 30 June 2013 is set out below.

	Twelve months ended 30 June 2014 (unaudited)				Total <i>HK\$'000</i>
	Design and implementation <i>HK\$'000</i>	Maintenance <i>HK\$'000</i>	Software <i>HK\$'000</i>	Hardware and spare parts <i>HK\$'000</i>	
Revenue from external customers and reportable segment revenue	<u>156,698</u>	<u>69,803</u>	<u>36,506</u>	<u>176,783</u>	<u>439,790</u>
Reportable segment gross profit	<u>52,636</u>	<u>49,114</u>	<u>19,560</u>	<u>28,846</u>	<u>150,156</u>
	Year ended 30 June 2013 (audited)				
	Design and implementation <i>HK\$'000</i>	Maintenance <i>HK\$'000</i>	Software <i>HK\$'000</i>	Hardware and spare parts <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers and reportable segment revenue	<u>95,294</u>	<u>64,086</u>	<u>11,292</u>	<u>83,463</u>	<u>254,135</u>
Reportable segment gross profit	<u>38,402</u>	<u>54,088</u>	<u>3,337</u>	<u>2,316</u>	<u>98,143</u>

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

	Twelve months ended 30 June 2014 (unaudited) <i>HK\$'000</i>	Year ended 30 June 2013 (audited) <i>HK\$'000</i>
Salaries, wages and other benefits	60,936	24,217
Contributions to defined retirement plans	6,145	1,638
Equity-settled share-based payment expenses (<i>Note 15</i>)	<u>2,905</u>	<u>2,252</u>
	<u>69,986</u>	<u>28,107</u>

(b) Other items:

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Cost of inventories (<i>Note 11(b)</i>)	172,878	97,055
Depreciation and amortisation	8,645	7,009
Operating lease charges in respect of office premises	10,125	2,587
Interest income	(209)	(59)
Net foreign exchange loss	1,282	30
(Gain)/loss on disposal of property, plant and equipment (<i>Note 8</i>)	(84)	30
	<u> </u>	<u> </u>

6 INCOME TAX

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

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Current taxation:		
– Hong Kong Profits Tax	580	1,054
– The People's Republic of China (the "PRC") Corporate Income Tax	21,433	12,555
– PRC Withholding Tax	–	1,560
	<u> </u>	<u> </u>
	22,013	15,169
	-----	-----
Deferred taxation:		
– Origination and reversal of temporary differences	(7,858)	(1,536)
	<u> </u>	<u> </u>
	14,155	13,633
	<u> </u>	<u> </u>

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 twelve months ended 30 June 2014 (year ended 30 June 2013: 16.5%).

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.

The subsidiaries of the Group established in the PRC are subject to PRC Corporate Income Tax rate of 25% for the twelve months ended 30 June 2014 (year ended 30 June 2013: 25%).

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 enjoyed a preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2010 to 2015.

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.

Pursuant to the PRC Corporate Income Tax Law, non-resident which has 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, is 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.

7 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the twelve months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$44,835,000 (year ended 30 June 2013: HK\$59,042,000) and the weighted average of 978,141,000 ordinary shares (year ended 30 June 2013: 801,267,000 ordinary shares) in issue during the twelve months ended 30 June 2014, calculated as follows:

Weighted average number of ordinary shares:

	Twelve months ended 30 June 2014 (unaudited) '000	Year ended 30 June 2013 (audited) '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 under share option scheme	36	–
Effect of shares issued on 3 June 2014 and 10 June 2014 (<i>see Note 16(b)</i>)	<u>23,913</u>	<u>–</u>
Weighted average number of ordinary shares at 30 June	<u>978,141</u>	<u>801,267</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share for the twelve months ended 30 June 2014 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$44,835,000 (year ended 30 June 2013: HK\$59,042,000) and the weighted average number of ordinary shares (diluted) of 997,767,000 (year ended 30 June 2013: 804,886,000 ordinary shares (diluted)), calculated as follows:

	Twelve months ended 30 June 2014 (unaudited) '000	Year ended 30 June 2013 (audited) '000
Weighted average number of ordinary shares at 30 June	978,141	801,267
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>19,626</u>	<u>3,619</u>
Weighted average number of ordinary shares (diluted) at 30 June	<u>997,767</u>	<u>804,886</u>

8 PROPERTY, PLANT AND EQUIPMENT

During the twelve months ended 30 June 2014, the Group acquired items of property, plant and equipment with a cost of HK\$3,263,000 (year ended 30 June 2013: HK\$693,000).

Property, plant and equipment with a carrying amount of HK\$41,000 was disposed of during the twelve months ended 30 June 2014, resulting in a net gain on disposal of HK\$84,000 (year ended 30 June 2013: carrying amount of HK\$35,000 was disposed of, resulting in a net loss on disposal of HK\$30,000).

9 INTANGIBLE ASSETS

Intangible assets of the Group at 30 June 2014 mainly comprise self-developed software with a carrying amount of HK\$63,760,000 (30 June 2013: HK\$69,312,000).

During the twelve months ended 30 June 2014, the Group capitalised costs incurred on the development of software of HK\$1,742,000 (year ended 30 June 2013: HK\$15,619,000).

10 GOODWILL

Goodwill was arisen from the Group's acquisition of the 100% equity interests of Innovation Holding Co., Ltd. on 28 June 2013, and was allocated to the Group's operations in mainland China.

11 INVENTORIES

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

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Application solution related hardware and spare parts	15,689	6,413
Materials to be assigned to service contracts	1,223	3,627
	<u>16,912</u>	<u>10,040</u>

(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 is as follows:

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Carrying amount of inventories sold	<u>172,878</u>	<u>97,055</u>

12 TRADE AND OTHER RECEIVABLES

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Trade receivables due from (Notes 12(a), 12(b) and 12(d)):		
– third parties	279,047	90,802
– affiliates of equity shareholders of the Company	27,616	92,029
– an affiliate of a non-controlling equity holder of a subsidiary of the Group	19,100	19,581
	<u>325,763</u>	<u>202,412</u>
Gross amount due from customers for contract work (Note 12(c)):		
– third parties	142,958	60,936
– an affiliate of an equity shareholder of the Company	86,377	25,629
	<u>229,335</u>	<u>86,565</u>
Amounts due from related parties (Note 12(e)):		
– equity shareholders of the Company and their affiliates	177	1,151
Prepayments, deposits and other receivables	34,297	51,868
	<u>589,572</u>	<u>341,996</u>

Except for retention receivables of HK\$1,188,000 (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.

(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:

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Within 1 month	198,118	57,314
More than 1 month but less than 3 months	1,258	28,385
More than 3 months but less than 6 months	769	12,361
More than 6 months	125,618	104,352
	<u>325,763</u>	<u>202,412</u>

(b) Trade receivables that are not impaired

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

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Current	19,840	2,805
Less than 1 month past due	178,513	54,790
1 to 3 months past due	1,258	28,385
3 to 6 months past due	769	12,361
More than 6 months past due	125,383	104,071
	<u>325,763</u>	<u>202,412</u>

The Group generally requires customers to settle progress billings and retention receivables in accordance with contracted terms. Credit terms of 30 days may be granted to certain customers for progress billings. In accordance with general industry practices, one to two years may be granted to customers for retention receivables.

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

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

(c) Project contracts in progress

At 30 June 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\$357,490,000 (30 June 2013: HK\$129,025,000).

(d) Retention receivables

At 30 June 2014, included in trade receivables are retention receivables in respect of project contracts of HK\$17,740,000 (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.

13 CASH AND CASH EQUIVALENTS

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Cash at bank and on hand	<u>606,964</u>	<u>207,239</u>

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.

14 TRADE AND OTHER PAYABLES

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Trade payables due to (Note 14(a)):		
– third parties	273,618	100,099
– an equity shareholder of the Company	1,143	7,272
Bills payable (Note 14(a))	<u>10,589</u>	<u>14,090</u>
	<u>285,350</u>	<u>121,461</u>
Amounts due to related parties (Note 14(b)):		
– an affiliate of an equity shareholder of the Company	<u>8,634</u>	<u>8,651</u>
Other taxes payables	31,272	18,987
Accrued expenses and other payables	<u>2,019</u>	<u>5,387</u>
	<u>33,291</u>	<u>24,374</u>
Financial liabilities measured at amortised cost	<u>327,275</u>	<u>154,486</u>
Receipts in advance from:		
– third parties	4,864	3,325
– an affiliate of a non-controlling equity holder of a subsidiary of the Group	<u>22,569</u>	<u>11,896</u>
	<u>27,433</u>	<u>15,221</u>
	<u>354,708</u>	<u>169,707</u>

At 30 June 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.

(a) Ageing analysis

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

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Due within 1 month or on demand	274,761	107,371
Due after 1 month but within 6 months	<u>10,589</u>	<u>14,090</u>
	<u>285,350</u>	<u>121,461</u>

(b) Amounts due to related parties

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

15 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

The Company has a share option scheme which was adopted on 8 December 2011 and revised on 24 September 2013 whereby the Directors 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 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.

Share options granted on 26 July 2012 and 31 December 2013

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

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

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:			
– on 26 July 2012	480,000	One year from the date of grant	5 years
– on 26 July 2012	1,200,000	Two years from the date of grant	5 years
– on 26 July 2012	720,000	Three years from the date of grant	5 years
Options granted to employees:			
– on 26 July 2012	7,360,000	One year from the date of grant	5 years
– on 26 July 2012	18,400,000	Two years from the date of grant	5 years
– on 26 July 2012	11,040,000	Three years from the date of grant	5 years
– 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	<u>6,000,000</u>	Three years from the date of grant	5 years
Total share options granted	<u><u>59,200,000</u></u>		

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

	Twelve months ended 30 June 2014 (unaudited)		Year ended 30 June 2013 (audited)	
	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\$1.080	20,000	HK\$0.656	39,200
Exercised during the period/year	HK\$0.656	(400)	–	–
Forfeited during the period/year	HK\$0.656	<u>(1,136)</u>	HK\$0.656	<u>(3,468)</u>
Outstanding at the end of the period/year	HK\$0.812	<u>54,196</u>	HK\$0.656	<u>35,732</u>
Exercisable at the end of the period/year	HK\$0.656	<u>6,519</u>	–	<u>–</u>

The weighted average share price at the date of exercise for share options exercised during the twelve months ended 30 June 2014 was HK\$1.82 (year ended 30 June 2013: not applicable).

The share options outstanding at 30 June 2014 had a weighted average exercise price of HK\$0.812 and a weighted average remaining contractual life of 3.60 years (30 June 2013: 4.07 years).

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

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 31 December 2013
Fair value at measurement date	HK\$0.1935 to HK\$0.2149
Share price	HK\$1.080
Exercise price	HK\$1.080
Expected volatility (expressed as weighted average volatility used in the modelling under the Black-Scholes Model)	30.52%
Option life (expressed as weighted average life used in the modelling under the Black-Scholes Model)	3.5 years
Expected dividends	2.315%
Risk-free interest rate (based on Exchange Fund Notes of Hong Kong)	0.662% to <u>1.035%</u>

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.

16 CAPITAL, RESERVES AND DIVIDENDS/DISTRIBUTIONS

(a) Dividends/distributions

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

The Directors do not recommend the payment of an interim dividend/distribution for the twelve months ended 30 June 2014 (year ended 30 June 2013: HK\$Nil).

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

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Final distributions 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

(b) Issuance of ordinary shares

On 3 June 2014, Beijing Infrastructure Investment (Hong Kong) Limited, 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. 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. Upon the completion of the above subscriptions, the Company's number of ordinary shares in issue increased to 1,287,283,669. 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.

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

Exercise period	Exercise price	At 30 June 2014 Number '000
26 July 2013 to 25 July 2017	HK\$0.656	6,519
26 July 2014 to 25 July 2017	HK\$0.656	17,298
26 July 2015 to 25 July 2017	HK\$0.656	10,379
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
		<u>54,196</u>

Each share option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in Note 15 above.

17 OPERATING LEASE COMMITMENTS

At 30 June 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 30 June 2014 (unaudited) HK\$'000	At 30 June 2013 (audited) HK\$'000
Within 1 year	6,105	2,472
After 1 year but within 5 years	7,247	473
	<u>13,352</u>	<u>2,945</u>

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

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial information, the material related party transactions entered into by the Group during the twelve months ended 30 June 2014 are set out below.

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

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Provision of design and implementation of application solution services	31,610	1,601
Provision of maintenance of application solution services	44,671	–
Sales of application solution software	8,297	–
Sales of application solution related hardware and spare parts	5,342	–
Technical service costs	3,212	2,411
Software development costs	–	1,400
Operating lease expenses	8,310	–
Net (decrease)/increase in advances granted	<u>(974)</u>	<u>258</u>

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

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Net increase in advances received	<u>10,673</u>	<u>–</u>

(c) **Transactions with an associate of the Group**

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) 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 advance granted	–	13,053
	—————	—————

(d) **Key management personnel remuneration**

	Twelve months ended 30 June 2014 (unaudited) HK\$'000	Year ended 30 June 2013 (audited) HK\$'000
Short-term employee benefits	11,081	6,911
Retirement scheme contributions	347	129
Equity compensation benefits	602	651
	—————	—————
	12,030	7,691
	—————	—————

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

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

The ultimate holding company of the Company, Beijing Infrastructure Investment Co., Ltd. (“BII”), is a state-controlled enterprise controlled by the PRC government. Apart from transactions with BII and its affiliates which were disclosed in Note 20(a) above, the Group also has transactions with other state-controlled entities include but not limited to the following:

- provision of design and implementation of application solution services; and
- bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

As at 30 June 2014, the issued share capital of the Group increased to 1,287,283,669. On 10 June 2014, 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. with a one-year lockup period. As such, as at 30 June 2014, the above-mentioned placees had increased their total shareholding in our Company to approximately 7.52%. Meanwhile, Beijing Infrastructure Investment (Hong Kong) Limited (“BII HK”) subscribed for 248,804,313 new shares of the Group with a lock-up commitment of two years. After this subscription, as at 30 June 2014, Beijing Infrastructure Investment Co., Ltd (“BII”) raised its indirect shareholding in our Company from approximately 24.50% to 37.49%, becoming the largest shareholder of our Company.

BII HK is a wholly owned subsidiary of BII, a renowned state-owned enterprise in China. Wholly-owned by State-owned Assets Supervision and Administration Commission of People’s Government of Beijing Municipality, BII engages in investment and financing, preliminary planning, capital operation and relevant resource management of infrastructure projects in Beijing. Being an influential wholly state-owned company in China, BII’s total assets amounting to approximately RMB327 billion. The completion of the subscription allowed the two parties to jointly explore new opportunities of development and investment, and enabled the Group to fully capture the tremendous market opportunities for China’s infrastructure sector.

As at 30 June 2014, since completion of acquisition of Beijing BII-ERG Transportation Technology Co. Ltd. (“BII ERG”), the Group has been dedicating in improving the ability of designing and providing application solutions both at line-level and network-level. Besides, the Group has been striving to enable a more efficient integration of the systems at these two levels and a more efficient maintenance and management of the two systems to enhance the Group’s competitive edge in order to provide existing clients with better and more comprehensive services.

For the twelve months ended 30 June 2014, the Group had recorded approximately 73.1% growth in its operating revenue from HK\$254.1 million for the twelve months ended 30 June 2013 to approximately HK\$439.8 million for the current reporting period.

During the period under review, the Group’s business operations remained focused on the following four segments: 1) the provision of design and implementation of application solution services, which mainly represent, among others, the design, testing, installation, debugging, integration, upgrading and replacement of railway transportation application solution and associated systems; 2) the provision of maintenance of application solution services, which mainly represent, among others, repair and maintenance of application solution systems developed by the Group as well as other software developers; 3) the sales of application solution software, which mainly represent, among others, the sales of self-developed railway transportation application solution software products; and 4) the sales of application solution related hardware and spare parts, which mainly represent, among others, the sales of railway transportation application solution systems related hardware and spare parts.

During the twelve months ended 30 June 2014, our Group had recorded revenue growth in all of our four business segments, ranging from 8.9% to 223.0%. Such growth was mainly achieved by the winning of certain projects related to the Automated Fare Collection (AFC) system upgrade for existing subway lines in Beijing, the construction of a new Multiple Line Centre (MLC) for Beijing MTR Corporation Limited and several new maintenance services contracts during the twelve months ended 30 June 2014. As such, the Group was able to achieve a revenue growth of approximately 73.1% for the twelve months ended 30 June 2014 as compared to the twelve months ended 30 June 2013.

Financial Review

Revenue

Provision of design and implementation of application solution services

The Group's revenue arising from the provision of design and implementation of application solution services increased by approximately 64.4% from approximately HK\$95.3 million for the twelve months ended 30 June 2013 to approximately HK\$156.7 million for the twelve months ended 30 June 2014. Such increases were largely attributable to the construction of a new Multiple Line Centre (MLC) for Beijing MTR Corporation Limited and the construction of a multiple line Passenger Information System (PIS) for Beijing Subway.

Provision of maintenance of application solution services

The Group's revenue arising from the provision of maintenance of application solution services increased by approximately 8.9% from approximately HK\$64.1 million for the twelve months ended 30 June 2013 to approximately HK\$69.8 million for the twelve months ended 30 June 2014. Such increase was primarily attributable to 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 increased by approximately 223.0% from approximately HK\$11.3 million for the twelve months ended 30 June 2013 to approximately HK\$36.5 million for the twelve months ended 30 June 2014. Such increase was mainly attributable to the provision of software modification service in relation to the Automated Fare Collection (AFC) system upgrade for existing subway lines in Beijing.

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 increased by approximately 112.0% from approximately HK\$83.4 million for the twelve months ended 30 June 2013 to approximately HK\$176.8 million for the twelve months ended 30 June 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.

Cost of sales

The Group's cost of sales increased by approximately 85.6% from approximately HK\$156.0 million for the twelve months ended 30 June 2013 to approximately HK\$289.6 million for the twelve months ended 30 June 2014. The rise in cost of sales was basically in line with the general growth in revenue for the twelve months ended 30 June 2014 as compared to the twelve months ended 30 June 2013, 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 twelve months ended 30 June 2014.

Gross profit

The Group's gross profit increased by approximately 53.1% from approximately HK\$98.1 million for the twelve months ended 30 June 2013 to approximately HK\$150.2 million for the twelve months ended 30 June 2014. The growth in gross profit was largely attributable to the overall growth in revenue as well as the increase in number of maintenance services and software oriented projects awarded to the Group during the twelve months ended 30 June 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 159.3% from approximately HK\$33.9 million for the twelve months ended 30 June 2013 to approximately HK\$87.9 million for the twelve months ended 30 June 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 twelve months ended 30 June 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), and increase in overheads of other business generating subsidiaries due to expansion of business, particularly staff costs and office rental expenses.

Profit attributable to equity shareholders of the Company

The Group's profit attributable to equity shareholders of the Company decreased by approximately 24.1% from approximately HK\$59.0 million for the twelve months ended 30 June 2013 to approximately HK\$44.8 million for the twelve months ended 30 June 2014. The decrease was mainly attributable to the rise in selling, general and administrative expenses.

Liquidity, Financial and Capital Resources

Capital structure

As at 30 June 2014, the Company's total number of issued shares was 1,287,283,669 ordinary shares of HK\$0.01 each (30 June 2013: 954,192,094 ordinary shares of HK\$0.01 each).

Cash position

As at 30 June 2014, the Group's cash and cash equivalents amounted to approximately HK\$607.0 million (30 June 2013: approximately HK\$207.2 million).

Bank borrowings and charges on the Group's assets

As at 30 June 2014, the Group has no bank borrowings or charges on assets.

Working capital and gearing ratio

As at 30 June 2014, the Group had current assets of approximately HK\$1,213.4 million (30 June 2013: approximately HK\$559.3 million), while its current liabilities were approximately HK\$389.2 million (30 June 2013: approximately HK\$198.1 million), resulting in net current assets of approximately HK\$824.2 million (30 June 2013: approximately HK\$361.2 million). Current ratio as at 30 June 2014, calculated based on current assets divided by current liabilities, was approximately 3.1 (30 June 2013: approximately 2.8).

Gearing ratio is calculated based on total debt at the end of the period divided by total assets at the end of the period multiplied by 100%. As at 30 June 2014, the Group had no bank borrowings, long term debts and payables incurred not in the ordinary course of business, thus the gearing ratio was nil (30 June 2013: Nil).

Foreign Exchange Exposure

The Group has three main operating subsidiaries, one located in Hong Kong and two located in the PRC; all of them 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 Liabilities

As at 30 June 2014, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 30 June 2014, the Group had 261 employees (including executive Directors) (30 June 2013: 190). The total staff costs, including Directors' remuneration, were approximately HK\$70.0 million (for the twelve months ended 30 June 2013: HK\$28.1 million).

Remuneration package are reviewed annually with reference to market conditions and individual employees' performance, qualification and experience. In addition to basic salaries, bonuses will be paid based on the Group's performance and individual employees' contribution. Other staff benefits include share options, contributions to the PRC social insurance scheme, contributions to Hong Kong Mandatory Provident Fund scheme and insurance.

Significant Investments Held, Material Acquisitions or Disposals of Subsidiaries and Affiliated Companies, and Plans for Material Investments or Capital Assets

Save for the proposed acquisition of the civil communication assets (民用通信資產) as disclosed in the announcement of the Company dated 25 February 2014, 8 July 2014 and 29 July 2014 and the circular of the Company dated 8 August 2014, there were no significant investments held, material acquisition or disposal of subsidiaries and affiliated companies during the twelve months ended 30 June 2014.

Save for the business plan as disclosed in the Company's prospectus dated 3 May 2012 (the "Prospectus"), there is no other plan for material investments or capital assets as at 30 June 2014.

Interim Dividend

The Board does not recommend the payment of an interim dividend for the twelve months ended 30 June 2014 (for the twelve months ended 30 June 2013: Nil).

Outlook

With the rapid economic development and population increase in China, the China government will vigorously develop urban public transport systems. Of which, urban railway construction, the most efficient and the best way to relieve urban traffic issues, enjoys the greatest potential for development.

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

On 8 July 2014, the Group announced that it acquired the civil communication transmission systems and their respective income rights of 82 underground stations of seven subway lines (including 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, Daxing Line of the Beijing Subway) of the Beijing Subway and the civil communication income rights of three stations of the airport line of the Beijing Subway at a consideration of RMB96,000,000. The purchased subway civil communication business mainly involved the provision of civil communication coverage for telecommunication operators within the subway system, allowing passengers to gain access to communication services in the subway, while telecommunication operators conduct operation by means of leasing the related system.

This acquisition is expected to be completed in the end of August 2014 and the income and profit generated from civil communication business will be reelected in the financial year of 2014. The acquisition represented an important step as part of the development entirety over the value chain of the Beijing railway transportation of the Group. It enabled the Group to exploit its business operation in another aspect of the railway transport system by including the provision of civil communication services in subway, and provided diversified direction of its future operation.

During the financial year of 2014, The Group has won: the integration into the automated fare collection clearing centre (ACC) and the traffic control centre (TCC) of new lines, MLC project in Beijing undertaken by Beijing MTR Corporation Limited, reconstruction of AFC system for Beijing Subway, construction of AFC system for new lines and the subway fare reconstruction in Beijing, etc. Meanwhile, the Group is also committed to expanding various types of self-developed products. Apart from the system software catering for the railway network, the Group 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.

Besides, benefited from the National Policy, the Group possesses significantly potential growth, and will usher in a brighter prospect. Looking ahead, the Group will continue to optimise its existing business and simultaneously actively seize market opportunities. Meanwhile, the Group will seek high quality assets acquisition opportunities of city railway to enhance the Group's core competitiveness and profitability in order to share the future revenue growth with the shareholders and investors.

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 twelve months ended 30 June 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 30 June 2014

Expand our business

- | | |
|---|---|
| <ul style="list-style-type: none"> • Acquisition of/investment in TCC System application solutions provider(s) | <p>The Group is in the process of exploring appropriate investment opportunities.</p> |
| <ul style="list-style-type: none"> • Acquisition of/investment in entity(ies) which is/are principally engaged in the design and manufacture of card readers | <p>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% during the last financial year. The Group will continue to look for other appropriate investment opportunities.</p> |
| <ul style="list-style-type: none"> • Acquisition of/investment in application solution company(ies) in the PRC | <p>The Group had increased its stake in its former associated company, BII ERG, an application solution company in the PRC, from 44% to 90% during the last financial year. The Group will continue to look for other appropriate investment opportunities.</p> |

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. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

During the period from 16 May 2012 (“Listing Date”) to 30 June 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 <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 30 June 2014 <i>HK\$ million</i>
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
	<u>175.1</u>	<u>63.0</u>

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.

OTHER INFORMATION

Directors’ and Chief Executives’ Interests

As at 30 June 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 (the “Model Code”) set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (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)	476,299,527 Shares		37.00%
	The Company	Beneficial owner		800,000 Shares (L) (Note 3)	0.06%
Mr. Steven Bruce Gallagher ("Mr. Gallagher")	The Company	Beneficial owner		800,000 Shares (L) (Note 3)	0.06%

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 476,299,527 shares which More Legend is interested in. Mr. Cao is the sole director of More Legend.
3. On 26 July 2012, each of Mr. Cao and Mr. Gallagher was granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 shares of the Company, exercisable at a price of HK\$0.656 per share during a period from 26 July 2012 to 25 July 2017. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 26 July 2013, 26 July 2014 and 26 July 2015 respectively.

Save as disclosed herein, as at 30 June 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 30 June 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 (<i>Notes 1 & 2</i>)	476,299,527 Shares (L)	37.00%
Vix East Asia	Beneficial owner/Interest of concert parties (<i>Notes 2 & 3</i>)	476,299,527 Shares (L)	37.00%
Landcity	Beneficial owner/Interest of concert parties (<i>Notes 2 & 4</i>)	476,299,527 Shares (L)	37.00%
Sino Choice Trust	Interest in a controlled corporation/Interest of concert parties (<i>Note 5</i>)	476,299,527 Shares (L)	37.00%
Vix Holdings Limited ("Vix Holdings")	Interest in a controlled corporation/Interest of concert parties (<i>Note 6</i>)	476,299,527 Shares (L)	37.00%
Ms. Wang Jiangping ("Ms. Wang")	Interest of spouse (<i>Note 7</i>)	477,099,527 Shares (L)	37.06%
Mr. Chen Rui ("Mr. Chen")	Interest in a controlled corporation/Interest of concert parties (<i>Notes 2 & 4</i>)	476,299,527 Shares (L)	37.00%
Ms. Jiang Wenjun ("Ms. Jiang")	Interest of spouse (<i>Note 8</i>)	476,299,527 Shares (L)	37.00%
BII HK	Beneficial owner (<i>Note 9</i>)	482,581,376 Shares (L)	37.49%
BII	Interest of controlled corporation (<i>Note 10</i>)	482,581,376 Shares (L)	37.49%

Notes:

1. More Legend is the legal and beneficial owner of approximately 20.94% of the entire issued share capital of the Company. Mr. Cao and Ms. Wang are the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend. Mr. Cao is the sole director of More Legend.
2. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend, Vix East Asia and Landcity, they have confirmed that they are parties acting in concert in the operation and management of the Company since the date of listing of the Company. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO.
3. Vix East Asia is the legal and beneficial owner of approximately 11.22% of the entire issued share capital of the Company. Mr. Gallagher is a director of Vix East Asia.
4. Landcity is the legal and beneficial owner of approximately 4.85% of the entire issued share capital of the Company. Mr. Chen is a director of Landcity.
5. Sino Choice Trust holds 100% of Landcity as trustee in favour of Mr. Chen and Ms. Jiang.
6. Vix East Asia is a wholly-owned subsidiary of Vix Holdings.
7. Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 477,099,527 shares and underlying shares of the Company held by Mr. Cao.
8. Ms. Jiang is the spouse of Mr. Chen and is deemed to be interested in 476,299,527 shares and underlying shares of the Company held by Mr. Chen.
9. BII HK is a wholly-owned subsidiary of BII. Dr. Tian Zhenqing is a director of BII HK.
10. BII is the legal and beneficial owner of the entire issued share capital of BII HK, a company established under PRC law with limited liability and wholly owned by the State owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Save as disclosed above, as at 30 June 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 twelve months ended 30 June 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 twelve months ended 30 June 2014.

Share Option Scheme

The Company's 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 Company adopted a revised share option scheme (the "Revised Scheme") on 24 September 2013 with changes including (i) all the references to the GEM 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 Scheme.

During the twelve months ended 30 June 2014, the Company had further granted 20,000,000 share options to its employees.

As at 30 June 2014, there were 54,196,000 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 30 June 2014
Mr. Cao	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
Mr. Gallagher	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	-	-	-	800,000
Mr. Chen	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)	-

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 30 June 2014
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	-	(400,000)	(336,000)	32,596,000
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
						35,732,000	20,000,000	(400,000)	(1,136,000)	54,196,000

Notes:

- 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.
- 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.

Change of Directors

During the twelve months ended 30 June 2014, Mr. Chen Rui resigned as an executive Director with effect from 1 June 2014. Mr. Zhang Jie was appointed as a non-executive Director with effect from 27 June 2014. Ms. Xuan Jing was appointed as an executive Director with effect from 27 June 2014.

After the reporting period, Mr. Hu Zhaoguang resigned as an independent non-executive Director with effect from 9 July 2014. Mr. Huang Lixin was appointed as an independent non-executive Director with effect from 9 July 2014.

Details of the change of Directors and the changes in members of the Board committees were set out in the announcements of the Company dated 30 May 2014, 4 June 2014, 27 June 2014 and 8 July 2014.

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 30 June 2014, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang *CPA* (Chairman of the Audit Committee), Mr. Hu Zhaoguang and Mr. Bai Jinrong.

On 9 July 2014, Mr. Hu Zhaoguang resigned as member of Audit Committee following his resignation as independent non-executive Director.

With effect from 9 July 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.

Review of Interim Financial Information

The Second Interim Financial Information are unaudited, but have been reviewed in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants, by the Company’s independent auditor, KPMG, whose report on review of the Second Interim Financial Information will be included in the 2014 Second Interim Report and nothing has come to their attention that causes them to believe that such information have not been prepared, in all material aspects, in accordance with International Accounting Standard 34, Interim Financial Reporting.

In addition, the Audit Committee has also reviewed the Second Interim Financial Information and is of the opinion that such information comply with applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

Compliance with Corporate Governance Code

The shares of the Company were listed on GEM 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 (“Transfer of Listing”).

The Board considers that the Company has complied with the code provisions in the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules 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 30 June 2014.

Publication of Results Announcement and Interim Report

This announcement is published on the websites of the Company (www.ccrtt.com.hk) and Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk). The 2014 Second Interim Report will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 26 August 2014

As at the date of this announcement, the executive Directors are Mr. Cao Wei and Ms. Xuan Jing; the non-executive Directors are Dr. Tian Zhenqing, Mr. Hao Weiya, Mr. Zhang Jie and Mr. Steven Bruce Gallagher; and the independent non-executive Directors are Mr. Bai Jinrong, Mr. Luo Zhenbang and Mr. Huang Lixin.