

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

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)



**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013**

The 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 six months ended 31 December 2013.

This condensed consolidated 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.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the six months ended 31 December 2013**(Expressed in Hong Kong dollars (“HK\$”))*

		Six months ended	
		31 December	
	<i>Note</i>	2013	2012
		HK\$'000	HK\$'000
Revenue	4	147,989	135,187
Cost of sales		(74,623)	(86,015)
Gross profit	4(b)	73,366	49,172
Other revenue		301	47
Other net loss		(1,564)	(76)
Selling, general and administrative expenses		(40,565)	(18,619)
Profit from operations		31,538	30,524
Share of loss of an associate		–	(459)
Profit before taxation	5	31,538	30,065
Income tax	6	(5,913)	(6,650)
Profit for the period		25,625	23,415
Attributable to:			
Equity shareholders of the Company		24,149	23,415
Non-controlling interests		1,476	–
Profit for the period		25,625	23,415
Earnings per share			
– Basic (HK\$)	7(a)	0.0253	0.0293
– Diluted (HK\$)	7(b)	0.0251	0.0292

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the six months ended 31 December 2013

(Expressed in HK\$)

	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Profit for the period	25,625	23,415
Other comprehensive income for the period (before and after tax):		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation into presentation currency	<u>4,321</u>	<u>764</u>
Total comprehensive income for the period	<u>29,946</u>	<u>24,179</u>
Attributable to:		
Equity shareholders of the Company	28,380	24,179
Non-controlling interests	<u>1,566</u>	<u>–</u>
Total comprehensive income for the period	<u>29,946</u>	<u>24,179</u>

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2013

(Expressed in HK\$)

		At 31 December 2013 HK\$'000	At 30 June 2013 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	8	3,023	2,141
Intangible assets	9	68,821	70,260
Goodwill	10	57,368	57,368
Deferred tax assets		9,552	3,534
		<u>138,764</u>	<u>133,303</u>
Current assets			
Inventories	11	9,370	10,040
Trade and other receivables	12	379,372	341,996
Cash and cash equivalents	13	207,521	207,239
		<u>596,263</u>	<u>559,275</u>
Current liabilities			
Trade and other payables	14	168,770	169,707
Current taxation		41,065	28,408
		<u>209,835</u>	<u>198,115</u>
Net current assets		<u>386,428</u>	<u>361,160</u>
Total assets less current liabilities		525,192	494,463
Non-current liabilities			
Deferred tax liabilities		4,855	5,111
NET ASSETS		<u>520,337</u>	<u>489,352</u>
CAPITAL AND RESERVES			
Share capital	16	9,542	9,542
Reserves		503,132	473,713
Total equity attributable to equity shareholders of the Company		<u>512,674</u>	<u>483,255</u>
Non-controlling interests		<u>7,663</u>	<u>6,097</u>
TOTAL EQUITY		<u>520,337</u>	<u>489,352</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the six months ended 31 December 2013

(Expressed in HK\$)

	Attributable to equity shareholders of the Company							Non-controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Exchange reserve HK\$'000	Retained profits HK\$'000	Total 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 six months ended 31 December 2012:									
Profit for the period	-	-	-	-	-	23,415	23,415	-	23,415
Other comprehensive income	-	-	-	-	764	-	764	-	764
Total comprehensive income	-	-	-	-	764	23,415	24,179	-	24,179
Distributions approved in respect of the previous year (Note 16(a)(ii))	-	(20,000)	-	-	-	-	(20,000)	-	(20,000)
Equity settled share-based transactions (Note 15)	-	-	984	-	-	-	984	-	984
Appropriation to reserves	-	-	-	3,429	-	(3,429)	-	-	-
	-	(20,000)	984	3,429	-	(3,429)	(19,016)	-	(19,016)
Balance at 31 December 2012 and 1 January 2013	8,000	189,488	18,548	16,396	3,767	108,778	344,977	-	344,977
Changes in equity for the six months ended 30 June 2013:									
Profit for the period	-	-	-	-	-	35,627	35,627	-	35,627
Other comprehensive income	-	-	-	-	3,723	-	3,723	-	3,723
Total comprehensive income	-	-	-	-	3,723	35,627	39,350	-	39,350
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)	-	-	1,268	-	-	-	1,268	-	1,268
	1,542	96,118	1,268	-	-	-	98,928	6,097	105,025
Balance at 30 June 2013	9,542	285,606	19,816	16,396	7,490	144,405	483,255	6,097	489,352

Attributable to equity shareholders of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>	Non- controlling interests <i>HK\$'000</i>	Total <i>HK\$'000</i>
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 six months ended 31 December 2013:									
Profit for the period	-	-	-	-	-	24,149	24,149	1,476	25,625
Other comprehensive income	-	-	-	-	4,231	-	4,231	90	4,321
Total comprehensive income	-	-	-	-	4,231	24,149	28,380	1,566	29,946
Equity settled share-based transactions (<i>Note 15</i>)	-	-	1,039	-	-	-	1,039	-	1,039
Appropriation to reserves	-	-	-	1,553	-	(1,553)	-	-	-
	-	-	1,039	1,553	-	(1,553)	1,039	-	1,039
Balance at 31 December 2013	9,542	285,606	20,855	17,949	11,721	167,001	512,674	7,663	520,337

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT*for the six months ended 31 December 2013**(Expressed in HK\$)*

		Six months ended	
		31 December	
		2013	2012
	<i>Note</i>	HK\$'000	HK\$'000
Cash generated from operations		3,288	51,114
Interest income received		94	16
Income tax refunded/(paid)		514	(3,201)
Net cash generated from operating activities		3,896	47,929
Net cash used in investing activities		(3,210)	(26)
Net cash used in financing activities		–	(17,353)
Net increase in cash and cash equivalents		686	30,550
Cash and cash equivalents at 1 July	<i>13</i>	207,239	203,196
Effect of foreign exchange rate changes		(404)	13
Cash and cash equivalents at 31 December	<i>13</i>	207,521	233,759

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 (“Global Offering”). 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 interim financial statements of the Company as at and for the six months ended 31 December 2013 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

The unaudited condensed financial information for the six months ended 31 December 2013 (the “Interim Financial Information”) has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange, and 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 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 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 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 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 reports. 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 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:

	Six months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
Revenue from the provision of design and implementation of application solution services	65,609	72,602
Revenue from the provision of maintenance of application solution services	43,671	14,152
Sales of application solution software	8,471	977
Sales of application solution related hardware and spare parts	30,238	47,456
	147,989	135,187

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, assets and liabilities*

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

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit. No inter-segment sales have occurred for the six months ended 31 December 2013 and 2012. The Group's other income and expense items, such as selling, general and administrative expenses and share of loss of an associate, and assets and liabilities, including the sharing of technical know-how, are not measured under individual segments. Accordingly, neither information on segment assets and liabilities nor information concerning capital expenditure, interest income and interest expenses is presented.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 31 December 2013 and 2012 is set out below.

	Six months ended 31 December 2013				
	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>65,609</u>	<u>43,671</u>	<u>8,471</u>	<u>30,238</u>	<u>147,989</u>
Reportable segment gross profit/(loss)	<u>32,136</u>	<u>33,365</u>	<u>(3,024)</u>	<u>10,889</u>	<u>73,366</u>
	Six months ended 31 December 2012				
	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>72,602</u>	<u>14,152</u>	<u>977</u>	<u>47,456</u>	<u>135,187</u>
Reportable segment gross profit/(loss)	<u>39,743</u>	<u>10,958</u>	<u>(3,276)</u>	<u>1,747</u>	<u>49,172</u>

5 PROFIT BEFORE TAXATION

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

(a) Staff costs:

	Six months ended 31 December	
	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Salaries, wages and other benefits	26,396	12,016
Contributions to defined retirement plans	2,291	396
Equity settled share-based payments expenses (<i>Note 15</i>)	<u>1,039</u>	<u>984</u>
	<u>29,726</u>	<u>13,396</u>

(b) Other items:

	Six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Cost of inventories (Note 11(b))	33,018	57,153
Depreciation and amortisation	4,419	4,586
Operating lease charges in respect of office premises	4,440	1,307
Interest income	(94)	(16)
Net foreign exchange loss	1,588	11
	<u>33,381</u>	<u>63,578</u>

6 INCOME TAX

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

	Six months ended 31 December	
	2013	2012
	HK\$'000	HK\$'000
Current taxation:		
– Hong Kong Profits Tax	220	714
– The People's Republic of China (the "PRC") Corporate Income Tax	11,923	6,205
– PRC Withholding Tax	–	1,388
	<u>12,143</u>	<u>8,307</u>
Deferred taxation:		
– Origination and reversal of temporary differences	(6,230)	(408)
– Effect on deferred tax balance resulting from a change in tax rate	–	(1,249)
	<u>(6,230)</u>	<u>(1,657)</u>
	<u>5,913</u>	<u>6,650</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 six months ended 31 December 2013 (six months ended 31 December 2012: 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 six months ended 31 December 2013 (six months ended 31 December 2012: 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 2012. This subsidiary is in the process of applying the same preferential PRC Corporate Income Tax rate of 15% for the calendar years from 2013 to 2015, whereby the Directors consider this subsidiary has satisfied the conditions of being an enterprise with advanced and new technologies according to the relevant tax rules and regulations, and accordingly, the Directors have adopted the preferential PRC Corporate Income Tax rate as the applicable tax rate of this subsidiary.

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 was 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, 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.

7 BASIC AND DILUTED EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2013 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$24,149,000 (six months ended 31 December 2012: HK\$23,415,000) and the weighted average of 954,192,094 ordinary shares (six months ended 31 December 2012: 800,000,000 ordinary shares) in issue during the six months ended 31 December 2013.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2013 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$24,149,000 (six months ended 31 December 2012: HK\$23,415,000) and the weighted average number of ordinary shares of 963,037,000 (six months ended 31 December 2012: 801,279,000 shares), calculated as follows:

	Six months ended	
	31 December	
	2013	2012
	'000	'000
Weighted average number of ordinary shares at 31 December	954,192	800,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	8,839	1,279
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted) at 31 December	963,031	801,279
	<hr/> <hr/>	<hr/> <hr/>

8 PROPERTY, PLANT AND EQUIPMENT

During the six months ended 31 December 2013, the Group acquired items of property, plant and equipment with a cost of HK\$1,468,000 (six months ended 31 December 2012: HK\$56,000).

No property, plant and equipment was disposed of during the six months ended 31 December 2013 (six months ended 31 December 2012: carrying amount of HK\$30,000 was disposed of, resulting in a net loss on disposal of HK\$30,000).

9 INTANGIBLE ASSETS

Intangible assets of the Group at 31 December 2013 mainly comprise self-developed software with a carrying amount of HK\$67,873,000 (30 June 2013: HK\$69,312,000).

During the six months ended 31 December 2013, the costs incurred on the development of software capitalised by the Group were HK\$1,742,000 (six months ended 31 December 2012: HK\$15,619,000).

10 GOODWILL

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

11 INVENTORIES

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

	At 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Application solution related hardware and spare parts	8,381	6,413
Materials to be assigned to service contracts	989	3,627
	<u>9,370</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:

	Six months ended 31 December 2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Carrying amount of inventories sold	<u>33,018</u>	<u>57,153</u>

12 TRADE AND OTHER RECEIVABLES

	At 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Trade receivables due from (<i>Notes 12(a), 12(b) and 12(d)</i>):		
– third parties	105,034	90,802
– affiliates of equity shareholders of the Company	49,210	92,029
– an affiliate of a non-controlling equity holder of a subsidiary of the Group	19,284	19,581
	<u>173,528</u>	<u>202,412</u>
Gross amount due from customers for contract work (<i>Note 12(c)</i>):		
– third parties	103,895	60,936
– an affiliate of an equity shareholder of the Company	69,680	25,629
	<u>173,575</u>	<u>86,565</u>
Amounts due from related parties (<i>Note 12(e)</i>):		
– equity shareholders of the Company and their affiliates	179	1,151
Prepayments, deposits and other receivables	<u>32,090</u>	<u>51,868</u>
	<u><u>379,372</u></u>	<u><u>341,996</u></u>

Except for retention receivables of HK\$1,699,000 (30 June 2013: HK\$1,451,000), all of the trade and other receivables are expected to be settled or recognised as expense 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 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Within 1 month	48,558	57,314
More than 1 month but less than 3 months	7,582	28,385
More than 3 months but less than 6 months	18,437	12,361
More than 6 months	98,951	104,352
	<u>173,528</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 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Current	2,961	2,805
Less than 1 month past due	47,296	54,790
1 to 3 months past due	7,582	28,385
3 to 6 months past due	18,437	12,361
More than 6 months past due	97,252	104,071
	<u>173,528</u>	<u>202,412</u>

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

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

(c) Project contracts in progress

At 31 December 2013, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work, is HK\$265,763,000 (30 June 2013: HK\$129,025,000).

(d) Retention receivables

At 31 December 2013, included in trade receivables are retention receivables in respect of project contracts of HK\$1,699,000 (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 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Cash at bank and on hand	<u>207,521</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 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Trade payables due to <i>(Note 14(a))</i> :		
– third parties	112,822	100,099
– affiliates of an equity shareholder of the Company	663	7,272
Bills payable <i>(Note 14(a))</i>	<u>3,782</u>	<u>14,090</u>
	<u>117,267</u>	<u>121,461</u>
Amounts due to related parties <i>(Note 14(b))</i> :		
– an affiliate of an equity shareholder of the Company	<u>12,369</u>	<u>8,651</u>
Other taxes payables	20,095	18,987
Accrued expenses and other payables	<u>2,469</u>	<u>5,387</u>
	<u>22,564</u>	<u>24,374</u>
Financial liabilities measured at amortised cost	<u>152,200</u>	<u>154,486</u>
Receipts in advance from		
– third parties	288	3,325
– an affiliate of a non-controlling equity holder of a subsidiary of the Group	<u>16,282</u>	<u>11,896</u>
	<u>16,570</u>	<u>15,221</u>
	<u>168,770</u>	<u>169,707</u>

At 31 December 2013, all of the trade and other payables are expected to be settled or recognised as revenue within one year or are repayable on demand.

(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 31 December 2013 <i>HK\$'000</i>	At 30 June 2013 <i>HK\$'000</i>
Due within 1 month or on demand	113,485	107,371
Due after 1 month but within 6 months	<u>3,782</u>	<u>14,090</u>
	<u>117,267</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 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 as having contributed or may contribute by way of joint ventures, business alliances or other business arrangements to the developments and growth of the Group, to take up options at HK\$1.00 as consideration to subscribe for shares in the Company.

(a) Share options granted on 26 July 2012

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

(i) *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
Total share options granted	<u>39,200,000</u>		

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

	Six months ended 31 December 2013		Year ended 30 June 2013	
	Weighted average exercise price	Number of options '000	Weighted average exercise price	Number of options '000
Outstanding at the beginning of the period/year	HK\$0.656	35,732	–	–
Granted during the period/year	–	–	HK\$0.656	39,200
Forfeited during the period/year	HK\$0.656	(336)	HK\$0.656	(3,468)
Outstanding at the end of the period/year	HK\$0.656	<u>35,396</u>	HK\$0.656	<u>35,732</u>
Exercisable at the end of the period/year	HK\$0.656	<u>7,079</u>	–	–

The share options outstanding at 31 December 2013 had an exercise price of HK\$0.656 and a weighted average remaining contractual life of 3.57 years (30 June 2013: 4.07 years).

(b) Share options granted on 31 December 2013

For the share options granted on 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 30 December 2018. Each option gives the holder the right to subscribe for one ordinary share in the Company.

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

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to employees:			
– 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
	<u><u>20,000,000</u></u>		

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

	Six months ended 31 December 2013	
	Weighted average exercise price	Number of share options '000
Outstanding at the beginning of the period	–	–
Granted during the period	HK\$1.080	<u>20,000</u>
Outstanding at the end of the period	HK\$1.080	<u><u>20,000</u></u>
Exercisable at the end of the period	–	<u><u>–</u></u>

The share options outstanding at 31 December 2013 had an exercise price of HK\$1.08 and a weighted average remaining contractual life of 5 years.

(iii) Fair value of share options and assumptions

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

Fair value of share options and assumptions

Fair value at measurement date	HK\$0.1935 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 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.

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 of the Company do not recommend the payment of an interim dividend/distributions for the six months ended 31 December 2013 (six months ended 31 December 2012: HK\$Nil).

(ii) *Distributions to equity shareholders of the Company attributable to the previous financial year, approved during the interim period*

Final distributions in respect of the previous financial year, approved during the following interim period, of HK\$Nil per ordinary share (six months ended 31 December 2012: HK\$0.025 per ordinary share)

Six months ended	
31 December	
2013	2012
HK\$'000	HK\$'000

—	20,000
---	--------

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

Exercise period	Exercise price	At 31 December 2013 Number '000
26 July 2013 to 25 July 2017	HK\$0.656	7,079
26 July 2014 to 25 July 2017	HK\$0.656	17,698
26 July 2015 to 25 July 2017	HK\$0.656	10,619
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
		55,396

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

17 OPERATING LEASE COMMITMENTS

At 31 December 2013, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2013 HK\$'000	At 30 June 2013 HK\$'000
Within 1 year	1,744	2,472
After 1 year but within 5 years	–	473
	1,744	2,945

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

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in this interim financial report, the material related party transactions entered into by the Group during the six months ended 31 December 2013 are set out below.

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

	Six months ended 31 December 2013 HK\$'000	2012 HK\$'000
Provision of design and implementation of application solution services	10,398	1,211
Provision of maintenance of application solution services	22,672	–
Sales of application solution software	7,098	–
Sales of application solution related hardware and spare parts	3,336	–
Technical service costs	954	1,271
Operating lease expenses	3,718	–
Net (decrease)/increase in advances granted	(972)	243

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

	Six months ended	
	31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net increase in advances received	4,386	–

(c) Transactions with an associate of the Group

	Six months ended	
	31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sales of application solution software	–	977
Technical service costs	–	1,086
Purchase of application solution related hardware and spare parts	–	63,261
Net increase in advances granted	–	6,152

(d) Key management personnel remuneration

	Six months ended	
	31 December	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Short-term employee benefits	4,577	3,785
Retirement scheme contributions	348	38
Equity compensation benefits	362	275
	5,287	4,098

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 31 December 2013, the Group had recorded approximately 9.5% growth in its operating revenue from HK\$135.2 million for the six months ended 31 December 2012 to approximately HK\$148.0 million.

During the period under review, the Group's business operations remained focused on the following four aspects: 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.

Despite fewer new subway lines were constructed in Beijing during the six months ended 31 December 2013 which had impacted our revenue to certain extent, the Group was able to tap on the opportunities to develop other revenue sources by offering services arising from the uprising demand for systems upgrades and modifications for existing subway lines in Beijing. In addition, the Group was awarded several new maintenance services contracts during the six months ended 31 December 2013. As such, the Group was able to achieve a revenue growth of approximately 9.5% for the six months ended 31 December 2013 as compared to the six months ended 31 December 2012.

Going forward, it is envisaged that subway construction in Beijing will regain momentum gradually, and more existing Beijing Subway systems upgrades and modification opportunities will be open up. In addition, our Group will continue to look for appropriate business expansion opportunities and will endeavour to secure our maintenance services mandates so as to provide a steady income flow for the Group.

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 decreased by approximately 9.6% from approximately HK\$72.6 million for the six months ended 31 December 2012 to approximately HK\$65.6 million. Such drop was primarily a result of the slight slowdown in the construction of new subway lines in Beijing which led to lower demand for system integration services. However, the increasing demand for system upgrades, including automated fare collection system (AFC) and passenger information system (PIS) etc. for existing subway lines in Beijing, which the Group had been actively participated in, had made up most part of the revenue in this segment during the six months ended 31 December 2013.

Provision of maintenance of application solution services

The Group's revenue arising from the provision of maintenance of application solution services increased by approximately 207.7% from approximately HK\$14.2 million for the six months ended 31 December 2012 to approximately HK\$43.7 million. Such increase was mainly attributable to the winning of a number of new maintenance services contracts in relation to the systems previously constructed by our 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 750.0% from approximately HK\$1.0 million for the six months ended 31 December 2012 to approximately HK\$8.5 million. Such increase was primarily due to the sales of software products in relation to the Beijing Subway railway transport command centre phase II project.

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 decreased by approximately 36.4% from approximately HK\$47.5 million for the six months ended 31 December 2012 to approximately HK\$30.2 million. Similar to provision of design and implementation of application solution services, the slight slowdown in the construction of new subway lines in Beijing had led to less demand for related hardware and spare parts, resulting in a drop in revenue in this segment. However, the rise in demand for hardware and spare parts in relation to system upgrades for existing subway lines in Beijing had counter-balanced part of the effect of revenue reduction in this segment during the six months ended 31 December 2013.

Cost of sales

The Group's cost of sales decreased by approximately 13.3% from approximately HK\$86.0 million for the six months ended 31 December 2012 to approximately HK\$74.6 million for the six months ended 31 December 2013.

The reduction in cost of sales was primarily attributable to the decrease in the provision of hardware oriented projects during the six months ended 31 December 2013 as compared to the six months ended 31 December 2012. Such decrease had led to a significant reduction in hardware procurement costs which further resulted in the drop in the overall cost of sales for the six months ended 31 December 2013 as compared to the six months ended 31 December 2012.

Gross profit

The Group's gross profit increased by approximately 49.2% from approximately HK\$49.2 million for the six months ended 31 December 2012 to approximately HK\$73.4 million for the six months ended 31 December 2013.

The growth in gross profit was largely attributable to the increase in number of maintenance services and software oriented projects awarded to the Group during the six months ended 31 December 2013 as compared to the six months ended 31 December 2012. The cost of sales related to these kinds of services and projects was mainly internal labour costs which were relatively lower than other services and projects that required third party procurement, thus generated relatively higher profit margin.

Selling, general and administrative expenses

The Group's selling, general and administrative expenses increased by approximately 118.3% from approximately HK\$18.6 million for the six months ended 31 December 2012 to approximately HK\$40.6 million for the six months ended 31 December 2013.

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 six months ended 31 December 2013 following completion of the acquisition of Innovation 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), 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 increased by approximately 3.0% from approximately HK\$23.4 million for the six months ended 31 December 2012 to approximately HK\$24.1 million for the six months ended 31 December 2013. The increase was mainly attributable to the growth in gross profit.

Liquidity, Financial and Capital Resources

Capital structure

As at 31 December 2013, the Company's total number of issued shares was 954,192,094 ordinary shares of HK\$0.01 each (30 June 2013: 954,192,094 ordinary shares of HK\$0.01 each).

Cash position

As at 31 December 2013, the Group's cash and cash equivalents amounted to approximately HK\$207.5 million (30 June 2013: approximately HK\$207.2 million).

Bank borrowing and charges on the Group's assets

As at 31 December 2013, the Group has no bank borrowings or charges on assets.

Working capital and gearing ratio

As at 31 December 2013, the Group had current assets of approximately HK\$596.3 million (30 June 2013: approximately HK\$559.3 million), while its current liabilities were approximately HK\$209.8 million (30 June 2013: approximately HK\$198.1 million), resulting a net current assets of approximately HK\$386.5 million (30 June 2013: approximately HK\$361.2 million). Current ratio as at 31 December 2013, calculated based on current assets divided by current liabilities, was approximately 2.8 (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 31 December 2013, the Group had no bank borrowings, long term debts and payables incurred not in the ordinary course of business, 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 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 Liabilities

As at 31 December 2013, the Group had no material contingent liabilities.

Employees and Remuneration Policies

As at 31 December 2013, the Group had 224 employees (including executive Directors) (30 June 2013: 190). The total staff costs, including Directors' remuneration, were approximately HK\$29.7 million (for the six months ended 31 December 2012: HK\$13.4 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

There were no significant investments held, material acquisition or disposal of subsidiaries and affiliated companies during the six months ended 31 December 2013.

Save for the business plan as disclosed in the Company's prospectus dated 3 May 2012 ("Prospectus"), there is no other plan for material investments or capital assets as at 31 December 2013.

Interim Dividend

The board of Directors (the "Board") does not recommend the payment of an interim dividend for the six months ended 31 December 2013 (for the six months ended 31 December 2012: Nil).

Outlook

Adhering to the principle of "innovation, pragmatism and integrity" and taking 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 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.

For the year ending 30 June 2014, according to the 12th Five-Year Plan of Beijing, it is expected that a few new railway lines will be integrated into the automated fare collection clearing centre (ACC) and the traffic control centre (TCC). In addition, there will be several new high-valued open tenders for Beijing railway transportation at network-level and line-level, including but not limited to multiple line centre (MLC) project in Beijing undertaken by Beijing MTR Corporation Limited, reconstruction of automated fare collection system (AFC) for Beijing Subway, construction of AFC system for Line 16, construction project of subway platform doors for the old lines, construction of passenger information system control centre system (PCC) and reconstruction of passenger information system (PIS) system etc., generating more market opportunities for us than in the financial year ended 30 June 2013.

As mentioned in the Prospectus, in the second half of financial year 2014, the Group will be open to more merger and acquisition opportunities of related businesses; and will continue to enhance our expertise and knowhow for the development of new products, thus realising the diversification and standardisation of our products. The Group will also continue our research and development of new system solutions, so as to enhance our reputation and increase the sources of revenue.

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 six months ended 31 December 2013. Capitalised terms used herein shall have the same meanings as those defined in the Prospectus unless the context requires otherwise.

Business Plan up to 31 December 2013 as set out in the Prospectus

Actual Business Progress up to 31 December 2013

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 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 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 five of them have obtained Computer Software Copyright Registration Certificates from the National Copyright Administration of the PRC. These products include data processing software, communication management software, integrated monitoring and control software, system assessment platform and IC card metering system software for waste disposal facilities

- Participation in the construction of Phase II of the TCC System of Beijing Subway

The Group has won the tender for the construction of Phase II of the TCC System of Beijing Subway and the work is in progress

Enhancing our reputation

- Development of application solutions for the PCC system

The Group has developed a PCC system application solutions software and is in the process of obtaining the Computer Software Copyright Registration Certificates from the National Copyright Administration of the PRC.

Enhancing our customer base

- Expansion of our customer base by our Group through participation in industry promotional events and other marketing activities

The Group has participated in a number of industry related exhibition and marketing activities to exchange market intelligence with fellow business counterparts and promote our business to potential customers

Use of Proceeds

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

During the period from 16 May 2012 (“Listing Date”) to 31 December 2013, the net proceeds from the Global Offering had been applied as follows:

	Use of proceeds in the same manner and proportion as shown in the Prospectus from the Listing Date to 31 December 2013 <i>HK\$ million</i>	Actual use of proceeds from the Listing Date to 31 December 2013 <i>HK\$ million</i>
Expand our business	70.0	–
Enhance our expertise and technical know-how on development of new application solutions	19.3	19.3
Enhancing our reputation	19.3	18.3
Enhancing our customer base	5.3	5.3
Working capital	13.4	13.4
	<u>127.3</u>	<u>56.3</u>

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

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

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

OTHER INFORMATION

Directors’ and Chief Executives’ Interests

As at 31 December 2013, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Cap 571 of the Laws of Hong Kong (“SFO”)) which 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 <i>(Notes 1 and 2)</i>	481,267,527 Shares		50.44%
	The Company	Beneficial owner		800,000 Shares (L) <i>(Note 3)</i>	0.08%
Mr. Chen Rui ("Mr. Chen")	The Company	Interest in a controlled corporation/Interest of concert parties <i>(Notes 1 and 4)</i>	481,267,527 Shares		50.44%
	The Company	Beneficial owner		800,000 Shares (L) <i>(Note 3)</i>	0.08%
Mr. Steven Bruce Gallagher ("Mr. Gallagher")	The Company	Beneficial owner		800,000 Shares (L) <i>(Note 3)</i>	0.08%

Notes:

- 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.
- More Legend is owned as to 75% by Mr. Cao and as to 25% by Ms. Wang Jiangping, the spouse of Mr. Cao. By virtue of the SFO, Mr. Cao is deemed to be interested in the 481,267,527 shares which More Legend is interested in. Mr. Cao is the sole director of More Legend.
- On 26 July 2012, each of Mr. Cao, Mr. Chen and Mr. Gallagher was granted 800,000 options under the share option scheme of the Company to subscribe for 800,000 shares of the Company, exercisable at a price of HK\$0.656 per share during a period from 26 July 2012 to 25 July 2017. These options are vested and become exercisable in three tranches in the proportion of 20%, 70% and 100% on 26 July 2013, 26 July 2014 and 26 July 2015 respectively.
- Landcity is owned as to 100% by the Sino Choice Trust, whose beneficiaries are Mr. Chen and Ms. Jiang Wenjun, the spouse of Mr. Chen. By virtue of the SFO, Mr. Chen is deemed to be interested in the 481,267,527 shares which Landcity is interested in. Mr. Chen is a director of Landcity.

Save as disclosed herein, as at 31 December 2013, none of the Directors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code.

Interests of Substantial Shareholders and Other Persons

As at 31 December 2013, 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>)	481,267,527 Shares (L)	50.44%
Vix East Asia	Beneficial owner/Interest of concert parties (<i>Notes 2 & 3</i>)	481,267,527 Shares (L)	50.44%
Landcity	Beneficial owner/Interest of concert parties (<i>Notes 2 & 4</i>)	481,267,527 Shares (L)	50.44%
Sino Choice Trust	Interest in a controlled corporation/Interest of concert parties (<i>Note 5</i>)	481,267,527 Shares (L)	50.44%
Vix Holdings Limited (“Vix Holdings”)	Interest in a controlled corporation/Interest of concert parties (<i>Note 6</i>)	481,267,527 Shares (L)	50.44%
Ms. Wang Jiangping (“Ms. Wang”)	Interest of spouse (<i>Note 7</i>)	482,067,527 Shares (L)	50.52%
Ms. Jiang Wenjun (“Ms. Jiang”)	Interest of spouse (<i>Note 8</i>)	482,067,527 Shares (L)	50.52%
BII HK	Beneficial owner (<i>Note 9</i>)	233,777,063 Shares (L)	24.50%
BII	Interest of controlled corporation (<i>Note 10</i>)	233,777,063 Shares (L)	24.50%

Notes:

1. More Legend is the legal and beneficial owner of approximately 28.24% of the entire issued share capital of the Company. Mr. Cao and Ms. Wang are the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend. Mr. Cao is the sole director of More Legend.
2. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend, Vix East Asia and Landcity, they have confirmed that they are parties acting in concert in the operation and management of the Company since the date of listing of the Company. Accordingly, each person under the concert party arrangement is taken to be interested in the shares of the Company that the other party is interested under the SFO.
3. Vix East Asia is the legal and beneficial owner of approximately 15.13% of the entire issued share capital of the Company. Mr. Gallagher is a director of Vix East Asia.
4. Landcity is the legal and beneficial owner of approximately 7.06% of the entire issued share capital of the Company. Mr. Chen is a director of Landcity.
5. Sino Choice Trust holds 100% of Landcity as trustee in favour of Mr. Chen and Ms. Jiang.
6. Vix East Asia is a wholly-owned subsidiary of Vix Holdings.
7. Ms. Wang is the spouse of Mr. Cao and is deemed to be interested in 482,067,527 shares and underlying shares of the Company held by Mr. Cao.
8. Ms. Jiang is the spouse of Mr. Chen and is deemed to be interested in 482,067,527 shares and underlying shares of the Company held by Mr. Chen.
9. BII HK is a wholly-owned subsidiary of BII. Dr. Tian Zhenqing is a director of BII HK.
10. BII is the legal and beneficial owner of the entire issued share capital of BII HK, a company established under PRC law with limited liability and wholly owned by the State owned Assets Supervision and Administration Commission of People's Government of Beijing Municipality.

Save as disclosed above, as at 31 December 2013, 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 six months ended 31 December 2013.

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 six months ended 31 December 2013.

Share Option Scheme

The Company's share option scheme ("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.

During the six months ended 31 December 2013, the Company had further granted 20,000,000 share options to its employees.

As at 31 December 2013, there were 55,396,000 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 31 December 2013
						Balance as at 1 July 2013	Granted during the period	Exercise during the period	Cancelled/ lapsed during the period	
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. Chen	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
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	-	-	(336,000)	32,996,000
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
						<u>35,732,000</u>	<u>20,000,000</u>	<u>-</u>	<u>(336,000)</u>	<u>55,396,000</u>

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.

Audit Committee

The Company established an audit committee (“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 2013, the Audit Committee comprises three independent non-executive Directors, namely Mr. Luo Zhenbang *CPA* (Chairman of the Audit Committee), Mr. Hu Zhaoguang and Mr. Bai Jinrong.

Review of Interim Financial Statements

The consolidated financial statements for the six months ended 31 December 2013 (the “Interim Financial Statements”) 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 Interim Financial Statements will be included in the Interim Report 2014 to shareholders and nothing has come to their attention that causes them to believe that such statements 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 Interim Financial Statements 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.

Compliance with Corporate Governance Code

The shares of the Company were listed on GEM on 16 May 2012 and 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 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 31 December 2013.

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 Interim Report 2014 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, 25 February 2014

As at the date of this announcement, the executive Directors are Mr. Cao Wei and Mr. Chen Rui; the non-executive Directors are Dr. Tian Zhenqing, Mr. Hao Weiya and Mr. Steven Bruce Gallagher; and the independent non-executive Directors are Mr. Hu Zhaoguang, Mr. Bai Jinrong and Mr. Luo Zhenbang.