DRAFT

[●]

The Directors
China City Railway Transportation Technology Holdings Company Limited

Guotai Junan Capital Limited
Quam Capital Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to China City Railway Transportation Technology Holdings Company Limited (the "Company", formerly known as Beijing Metro Holdings Company Limited) and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group, for each of the years ended 30 June 2010 and 2011 and the five months ended 30 November 2011 (the "Track Record Period"), and the consolidated balance sheets of the Group as at 30 June 2010 and 2011 and 30 November 2011 and the balance sheets of the Company as at 30 June 2011 and 30 November 2011, together with the explanatory notes thereto (the "Financial Information"), for inclusion in the document of the Company dated [January 2012] (the "Document").

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. Pursuant to a group reorganisation completed on 27 June 2011 (the "Reorganisation") as detailed in the sections headed "History and Development" and "Reorganisation" in the Document, the Company became the holding company of the companies now comprising the Group, details of which are set out in Section A below.

Except for ERG Transit Systems (Beijing) Ltd. and ERG Transit Systems (HK) Limited, all companies comprising the Group have adopted 30 June as their financial year end date. As at the date of this report, no audited financial statements have been prepared for below companies within the Group, as they either have not carried on any business since the date of incorporation or are investment holding companies or not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation:

Name of company	Financial years
Great Legend Development Limited (華駿發展有限公司)	Period ended 30 June 2011
Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司)	Period ended 30 June 2011

The statutory financial statements of the following companies, which were prepared in accordance with the relevant accounting rules and regulations applicable to enterprises in the People's Republic of China (the "PRC") or Hong Kong Financial Reporting Standards (the "HKFRSs") as appropriate, were audited during the Track Record Period by their respective statutory auditors as indicated below:

Name of company	Financial years	Statutory auditors
ERG Transit Systems (Beijing) Ltd. *(note (i))* (億雅捷交通系統(北京)有限公司)	Years ended 31 December 2009, 2010 and 2011	Grant Thornton China (京都天華會計師事務所有限公司)
ERG Transit Systems (HK) Limited (億雅捷交通系統(香港)有限公司)	Year ended 31 December 2010	UHY Grace HK CPA Limited (天恩香港會計師事務所有限公司)

Note:

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

The directors of the Company have prepared the consolidated financial statements of the Group for the Track Record Period in accordance with the basis of preparation set out in Section A below and the accounting policies set out in Section C below (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 30 June 2010 and 2011 and the five months ended 30 November 2011 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information has been prepared by the directors of the Company based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and [●].

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the [●], and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

Our responsibility is to form an opinion on the Financial Information based on our procedures.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have examined the Underlying Financial Statements and have carried out such appropriate procedures as we considered necessary in accordance with [●].

We have not audited any financial statements of the Company, its subsidiaries or the Group in respect of any period subsequent to 30 November 2011.

OPINION

In our opinion, for the purpose of this report, the Financial Information, on the basis of preparation set out in Section A below, gives a true and fair view of the Group's consolidated results and cash flows for the Track Record Period, the state of affairs of the Group as at 30 June 2010 and 2011 and 30 November 2011, and the state of affairs of the Company as at 30 June 2011 and 30 November 2011.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Group comprising the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements for the five months ended 30 November 2010, together with the notes thereon (the "Corresponding Financial Information"), for which the directors are responsible, 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 HKICPA.

The directors of the Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A BASIS OF PREPARATION

As detailed in the sections headed "History and Development" and "Reorganisation" in the Document, the Company was incorporated in the Cayman Islands on 7 January 2011 as part of the Reorganisation undertook by the Group. Upon completion of the Reorganisation on 27 June 2011, the Company became the holding company of the companies now comprising the Group. The companies taking part in the Reorganisation were controlled by the same ultimate equity shareholders, namely Mr. Cao Wei and his close family member (the "Controlling Shareholders") during the Track Record Period.

Because the companies now comprising the Group were controlled by the Controlling Shareholders before and after the Reorganisation and, consequently there was a continuation of the risks and benefits to the Controlling Shareholders, the Financial Information has been prepared using the merger basis of accounting as if the Group has always been in existence. The net assets of the companies comprising the Group are consolidated using the book values from the Controlling Shareholders' perspective.

The consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements of the Group for the Track Record Period include the results of operations of the companies now comprising the Group for the Track Record Period (or where the companies were incorporated/established/acquired by the Group at a date later than 1 July 2009, for the period from the date of incorporation/establishment/acquisition to 30 November 2011) as if the current group structure had been in existence throughout the entire Track Record Period. The consolidated balance sheets of the Group as at 30 June 2010 and 2011 and 30 November 2011 have been prepared to present the state of affairs of the companies comprising the Group as at the respective dates as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

At the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies. The particulars of these subsidiaries are set out below:

Name of company *(note (i))*	Place and date of incorporation/ establishment	Registered capital/issued and paid up capital	Attributable equity interest Direct	Attributable equity interest Indirect	Principal activities
Great Legend Development Limited (華駿發展有限公司)	The British Virgin Islands ("BVI") 11 February 2011	US$50,000	100%	–	Investment holding
Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司)	Hong Kong 29 October 2010	HK$10,000	–	100%	Investment holding
ERG Transit Systems (Beijing) Ltd. (億雅捷交通系統(北京)有限公司)	PRC 1 September 2006	RMB12,550,000	–	100%	Transit system software & technology research and development; system integration; provision of technology transfer, training, consulting and services; sale of developed products
ERG Transit Systems (HK) Limited (億雅捷交通系統(香港)有限公司)	Hong Kong 17 July 1984	HK$10,000	–	100%	Trading and investment

Note:

(i) For ERG Transit Systems (Beijing) Ltd., the English translation of the name is for reference only and the official name of this entity is in Chinese.

B CONSOLIDATED FINANCIAL INFORMATION

Consolidated income statements

	Note	Years ended 30 June		Five months ended 30 November	
		2010	2011	2010	2011
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
				(Unaudited)	
Revenue	*2*	24,454	72,047	16,988	65,247
Cost of sales		(11,555)	(24,576)	(6,604)	(15,593)
Business tax and surcharge		(865)	(2,668)	(402)	(1,273)
Gross profit		12,034	44,803	9,982	48,381
Other net income		11	12	(11)	27
Selling, general and administrative expenses		(5,396)	(12,384)	(3,311)	(14,186)
Profit from operations		6,649	32,431	6,660	34,222
Investment income		63	48	–	–
Share of (loss)/profit of associate		(535)	13,341	(439)	(1,411)
Profit before taxation	*3*	6,177	45,820	6,221	32,811
Income tax	*4*	(1,229)	(5,350)	(1,060)	(6,781)
Profit for the year/period		4,948	40,470	5,161	26,030
Attributable to:					
Equity shareholders of the Company		4,948	40,470	5,161	26,030

The accompanying notes form part of the Financial Information.

Consolidated statements of comprehensive income

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Profit for the year/period	4,948	40,470	5,161	26,030
Other comprehensive income for the year/period				
Exchange differences on translation of financial information of entities outside Hong Kong	938	1,409	249	834
Total comprehensive income for the year/period	5,886	41,879	5,410	26,864
Attributable to:				
Equity shareholders of the Company	5,886	41,879	5,410	26,864

The accompanying notes form part of the Financial Information.

Consolidated balance sheets

	Note	As at 30 June 2010 *HK$'000*	As at 30 June 2011 *HK$'000*	As at 30 November 2011 *HK$'000*
Non-current assets				
Property, plant and equipment	*8*	1,235	1,093	1,815
Interest in associate	*9*	9,510	18,572	17,533
Intangible assets		23	18	764
Deferred tax assets	*16*	61	53	40
		10,829	19,736	20,152
Current assets				
Inventories	*11*	680	685	1,064
Trade and other receivables	*12*	6,414	32,679	67,064
Cash and cash equivalents	*13*	5,812	33,021	51,732
		12,906	66,385	119,860
Current liabilities				
Trade and other payables	*14*	1,401	44,971	22,383
Current taxation	*16*	209	194	7,377
		1,610	45,165	29,760
Net current assets		11,296	21,220	90,100
Total assets less current liabilities		22,125	40,956	110,252
Net assets		22,125	40,956	110,252
Capital and reserves				
Share capital	*17*	–	1	83
Reserves	*17*	22,125	40,955	110,169
Total equity		22,125	40,956	110,252

The accompanying notes form part of the Financial Information.

Balance sheet of the Company

	Note	**As at 30 June 2011** *HK$'000*	**As at 30 November 2011** *HK$'000*
Non-current assets			
Investments in subsidiaries	*10*	40,955	40,955
Trade and other receivables		–	42,366
		40,955	83,321
Current assets			
Cash and cash equivalents		1	67
Net current assets		1	67
Total assets less current liabilities		40,956	83,388
Net assets		40,956	83,388
Capital and reserves			
Share capital	*17*	1	83
Reserves	*17*	40,955	83,305
Total equity		40,956	83,388

The accompanying notes form part of the Financial Information.

Consolidated statements of changes in equity

	Share capital	Share premium	Capital reserve	Statutory reserves	Exchange reserve	(Accumulated losses)/ retained earnings	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(note 17(b))	*(note 17(c))*	*(note 17(d))*	*(note 17(e))*	*(note 17(f))*		
Balance at 1 July 2009	–	–	13,165	–	–	(926)	12,239
Profit for the year	–	–	–	–	–	4,948	4,948
Other comprehensive income	–	–	–	–	938	–	938
Total comprehensive income	–	–	–	–	938	4,948	5,886
Appropriation to reserves	–	–	–	265	–	(265)	–
Contribution from the equity shareholders of the Company	–	–	4,000	–	–	–	4,000
Balance at 30 June 2010 and 1 July 2010	–	–	17,165	265	938	3,757	22,125
Profit for the year	–	–	–	–	–	40,470	40,470
Other comprehensive income	–	–	–	–	1,409	–	1,409
Total comprehensive income	–	–	–	–	1,409	40,470	41,879
Issuance of new shares	1	–	–	–	–	–	1
Contribution from equity shareholders of the Company	–	–	399	–	–	–	399
Appropriation to reserves	–	–	–	3,446	–	(3,446)	–
Distribution to the equity shareholders of the Company	–	–	–	–	–	(23,448)	(23,448)
Balance at 30 June 2011	1	–	17,564	3,711	2,347	17,333	40,956

Consolidated statements of changes in equity (continued)

	Share capital *HK$'000* *(note 17(b))*	Share premium *HK$'000* *(note 17(c))*	Capital reserve *HK$'000* *(note 17(d))*	Statutory reserves *HK$'000* *(note 17(e))*	Exchange reserve *HK$'000* *(note 17(f))*	(Accumulated losses)/ retained earnings *HK$'000*	Total equity *HK$'000*
Balance at 1 July 2011	1	–	17,564	3,711	2,347	17,333	40,956
Profit for the period	–	–	–	–	–	26,030	26,030
Other comprehensive income	–	–	–	–	834	–	834
Total comprehensive income	–	–	–	–	834	26,030	26,864
Issuance of new shares	82	42,350	–	–	–	–	42,432
Balance at 30 November 2011	83	42,350	17,564	3,711	3,181	43,363	110,252
(Unaudited)							
Balance at 1 July 2010	–	–	17,165	265	938	3,757	22,125
Profit for the period	–	–	–	–	–	5,161	5,161
Other comprehensive income	–	–	–	–	249	–	249
Total comprehensive income	–	–	–	–	249	5,161	5,410
Contribution from equity shareholders of the Company	–	–	10	–	–	–	10
Balance at 30 November 2010	–	–	17,175	265	1,187	8,918	27,545

The accompanying notes form part of the Financial Information.

Consolidated cash flow statements

	Note	Years ended 30 June		Five months ended 30 November	
		2010	2011	2010	2011
		HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash flows from operating activities					
Profit before taxation		6,177	45,820	6,221	32,811
Adjustments for:					
Depreciation and amortisation	*3(b)*	307	445	175	258
Share of loss/(profit) of associate		535	(13,341)	439	1,411
Investment income		(63)	(48)	–	–
Interest income	*3(b)*	(9)	(24)	(4)	(33)
		6,947	32,852	6,831	34,447
Change in working capital:					
Increase in inventories		(29)	(5)	(161)	(379)
Decrease/(increase) in trade and other receivables		6,862	(25,544)	(3,243)	(38,767)
(Decrease)/increase in trade and other payables		(1,252)	15,576	3,835	9,944
Cash generated from operations		12,528	22,879	7,262	5,245
Cash received from profit appropriation of associate		38	5,007	–	–
Interest income received		9	24	4	33
Income tax paid		(1,051)	(5,357)	(1,163)	(2,875)
Income tax refund		–	–	–	3,290
Net cash from operating activities		11,524	22,553	6,103	5,693
Cash flows from investing activities					
Purchase of short term investments		–	(13,212)	–	–
Proceeds from sale of short term investments		–	13,241	–	–
Investment income received		–	19	–	–
Cash acquired through acquisition of a subsidiary	*21*	1,967	–	–	–
Acquisition of property, plant and equipment and intangible assets		(735)	(255)	(155)	(1,710)
Capital contribution to the associate		(9,995)	–	–	–
Net cash used in investing activities		(8,763)	(207)	(155)	(1,710)

Consolidated cash flow statements (continued)

	Note	Years ended 30 June		Five months ended 30 November	
		2010	2011	2010	2011
		HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Cash flows from financing activities					
Cash contribution from equity shareholders of the Company		–	23,255	10	19,577
Cash distribution to equity shareholders of the Company		–	(18,570)	–	(4,878)
Net cash from financing activities		–	4,685	10	14,699
Net increase in cash and cash equivalents		2,761	27,031	5,958	18,682
Cash and cash equivalents at the beginning of the year/period		2,997	5,812	5,812	33,021
Effect of changes in foreign exchange rate		54	178	160	29
Cash and cash equivalents at the end of the year/period	*13*	5,812	33,021	11,930	51,732

The accompanying notes form part of the Financial Information.

C NOTES TO THE FINANCIAL INFORMATION

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information set out in this report has been prepared in accordance with IFRSs, which collective term includes International Accounting Standards ("IASs") and related interpretations, promulgated by the IASB. Further details of significant accounting policies adopted are set out in the remainder of this Section C.

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. For the purpose of preparing this Financial Information, the Group has adopted all these new and revised IFRSs to the Track Record Period, except for any new standards or interpretations that are not yet effective for the accounting period beginning 1 July 2011. The revised and new accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 July 2011 are set out in note 23.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the [●].

The accounting policies set out below have been applied consistently to all periods presented in this Financial Information.

(b) Basis of measurement of the Financial Information

The Financial Information comprises the Company and its subsidiaries and the Group's interest in associate and has been prepared using the merger basis of accounting as if the Group had always been in existence, as further explained in Section A.

The Financial Information is presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand, which is the functional currency of the Company and its subsidiaries carrying on business in Hong Kong.

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

(c) Use of estimates and judgments

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

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

Judgments made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 22.

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

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

(e) Associate

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

An investment in an associate is accounted for in the Financial Information under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see note 1(i)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year/period are recognised in the consolidated income statements, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

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

The accounting policies adopted by the Group's associate are consistent with the accounting policies of the Group.

(f) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred; over

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

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

(g) Property, plant and equipment

Property, plant and equipment are stated in the balance sheets at cost less accumulated depreciation and impairment losses (see note 1(i)).

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

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

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

– Electronic equipment	3 years
– Office equipment and others	5 years
– Motor vehicles	4 years
– Leasehold improvements	Over the unexpired term of lease

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

(h) Leased assets

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

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

(i) Impairment of assets

(i) Impairment of investment in associate and trade and other receivables

Investments in associate recognised using equity method and trade and other receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

– For investment in associate recognised using the equity method (see note 1(e)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 1(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 1(i)(ii).

– For trade and other current receivables carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired:

– property, plant and equipment

– intangible assets

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(j) Project contracts in progress

Project contracts in progress represents the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 1(p)(i)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as as part of trade and other receivables in the balance sheet for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as deferred revenue in the balance sheet.

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition.

(m) Trade and other payables

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

(n) Income tax

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

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

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

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

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

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

    - the same taxable entity; or

    - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

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

(i) Transportation system design, installation and maintenance services

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

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

(ii) Sales of goods

Revenue is recognised when goods are delivered at customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(iii) Interest income

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

(q) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the transaction dates.

The assets and liabilities of foreign operations are translated to Hong Kong dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Hong Kong dollars at exchange rates at the dates of the transactions. Foreign currency differences arising on retranslation of foreign operations are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(r) Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the group or an entity related to the group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(s) Segment reporting

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

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

During the Track Record Period, the Group has one operating segment as the Group is only engaged in the transportation system technology business.

The following table sets out information about the geographical location of the Group's revenue from external customers and the Group's fixed assets, intangible assets and interest in associate ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, the location of the operation, in the case of intangible assets and interest in associate.

The geographical information of the Group's revenue from external customers for the years ended 30 June 2010 and 2011 and the five months ended 30 November 2011, and specified non-current assets as at 30 June 2010 and 2011 and 30 November 2011 is set out below:

(i) Revenue from external customers

	Years ended 30 June		**Five months ended 30 November**	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Mainland China	18,099	51,354	8,093	53,143
Hong Kong	4,659	16,599	7,103	8,083
	22,758	67,953	15,196	61,226

(ii) Specified non-current assets

	As at 30 June		**As at 30 November**
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Mainland China	10,562	19,397	18,989
Hong Kong	206	286	1,123
	10,768	19,683	20,112

2 REVENUE

The principal activities of the Group during the Track Record Period are the provision of design and implementation of application solution services for the networking and controlling systems of public transport companies, and sales of spare parts. The amount of each significant categories of revenue recognised in the Track Record Period is as follows:

	Years ended 30 June		**Five months ended 30 November**	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
			(Unaudited)	
Transportation system design, installation and maintenance services	22,522	69,222	16,476	36,792
Sales of goods	1,932	2,825	512	28,455
	24,454	72,047	16,988	65,247

For the year ended 30 June 2010, revenue from transactions with one customer had exceeded 10% of the Group's revenue. Revenue from this customer was HK$16,937,000 for the year ended 30 June 2010.

For the year ended 30 June 2011, revenues from transactions with each of the two customers had exceeded 10% of the Group's revenue. Revenue from these customers was HK$59,661,000 for the year ended 30 June 2011.

For the five months ended 30 November 2011, revenues from transactions with each of the three customers had exceeded 10% of the Group's revenue. Revenue from these customers was HK$53,143,000 for the five months ended 30 November 2011.

3 PROFIT BEFORE TAXATION

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

(a) Staff costs

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries, wages and other benefits	4,903	13,373	4,159	6,370
Contributions to retirement scheme	473	882	334	563
	5,376	14,255	4,493	6,933

(b) Other items

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Depreciation and amortisation of property, plant and equipment and intangible assets	307	445	175	258
Cost of inventories	1,633	2,177	562	10,821
Foreign exchange (gain)/loss	(2)	12	–	–
Interest income	(9)	(24)	(4)	(33)
Auditors' remuneration	69	413	23	1,050
Operating lease charges in respect of properties	463	1,048	436	996

4 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENTS

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

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Provision for the corporate income tax				
– Hong Kong profits tax	403	1,526	595	1,101
– PRC corporate income tax	502	3,816	465	5,667
Deferred taxation	324	8	–	13
	1,229	5,350	1,060	6,781

The statutory income tax rate of the Company and its subsidiaries registered in Hong Kong is 16.5%. The Mainland China's statutory income tax rate is 25%. ERG Transit Systems (Beijing) Ltd. was recognised as a High Technology Enterprise and is entitled to a preferential tax rate of 15% for the calendar years from 2010 to 2012.

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

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Profit before taxation	6,177	45,820	6,221	32,811
Notional tax on profit before taxation, calculated at the statutory tax rates applicable to the respective tax jurisdictions	1,314	10,849	1,248	8,499
PRC tax concession	(234)	(2,544)	(310)	(3,777)
Effect of non-deductible expenses	25	380	12	1,706
Effect of non-taxable income	(10)	–	–	–
Share of loss/(profit) of associate	134	(3,335)	110	353
Actual tax expense	1,229	5,350	1,060	6,781

5 DIRECTORS' REMUNERATION

The following table sets out the remuneration received or receivable by the Company's directors:

For the year ended 30 June 2010

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Equity settled share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	57	–	–	–	–	57
Chen Rui	–	457	298	–	–	755
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	57	457	298	–	–	812

For the year ended 30 June 2011

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Equity settled share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	235	–	–	–	–	235
Chen Rui	–	838	1,078	–	–	1,916
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	235	838	1,078	–	–	2,151

For the five months ended 30 November 2010 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Equity settled share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	98	–	–	–	–	98
Chen Rui	–	349	449	–	–	798
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	98	349	449	–	–	896

For the five months ended 30 November 2011

	Directors' fees	Salaries, allowances and other benefits in kind	Discretionary bonuses	Contribution to defined contribution plan	Equity settled share-based payment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors						
Cao Wei	17	–	–	–	–	17
Chen Rui	–	415	–	–	–	415
Non-executive directors						
Tian Zhenqing	–	–	–	–	–	–
Steven Bruce GALLAGHER	–	–	–	–	–	–
Independent non-executive directors						
Hu Zhaoguang	–	–	–	–	–	–
Bai Jinrong	–	–	–	–	–	–
Kong Shin Long	–	–	–	–	–	–
	17	415	–	–	–	432

During the Track Record Period, no amount was paid or payable by the Group to the directors or any of the five highest paid individuals set out in note 6 as an inducement to join or upon joining the Group or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the Track Record Period presented.

6 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one is a director whose emolument is disclosed in note 5. The aggregate of the emoluments in respect of the other four individuals are as follows:

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Salaries and other emoluments	2,505	2,454	1,023	1,204
Discretionary bonuses	–	656	273	–
Retirement scheme contributions	48	112	47	20
	2,553	3,222	1,343	1,224

The emoluments of the four individuals with the highest emoluments are within the following bands:

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010** (Unaudited)	**2011**
	Number of individuals	Number of individuals	Number of individuals	Number of individuals
HK$Nil to HK$1,000,000	4	4	4	4

7 EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of the Financial Information, is not considered meaningful due to the Reorganisation and the preparation of the results of the Group for the Track Record Period on the consolidated basis as disclosed in Section A.

8 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment, motor vehicles and others	Electronic equipment	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Cost:				
Balance at 1 July 2009	–	279	517	796
Additions	–	517	218	735
Through acquisition of a subsidiary	109	60	39	208
Exchange adjustments	–	3	5	8
Balance at 30 June 2010 and 1 July 2010	109	859	779	1,747
Additions	–	41	214	255
Exchange adjustments	–	38	37	75
Balance at 30 June 2011 and 1 July 2011	109	938	1,030	2,077
Additions	621	253	105	979
Exchange adjustments	–	–	17	17
Balance at 30 November 2011	730	1,191	1,152	3,073
Accumulated depreciation:				
Balance at 1 July 2009	–	–	206	206
Depreciation for the year	4	140	158	302
Exchange adjustments	–	1	3	4
Balance at 30 June 2010 and 1 July 2010	4	141	367	512
Depreciation for the year	14	199	226	439
Exchange adjustments	–	11	22	33
Balance at 30 June 2011 and 1 July 2011	18	351	615	984
Depreciation for the period	61	100	94	255
Exchange adjustments	–	7	12	19
Balance at 30 November 2011	79	458	721	1,258
Net book value:				
At 30 June 2010	105	718	412	1,235
At 30 June 2011	91	587	415	1,093
As 30 November 2011	651	733	431	1,815

9 INTEREST IN ASSOCIATE

	As at 30 June 2010	2011	As at 30 November 2011
	HK$'000	*HK$'000*	*HK$'000*
Share of net assets	9,510	18,572	17,533

The particulars of the associate which existed during the Track Record Period are listed as follows:

Name of company *(note (i))*	Place of establishment	Particulars of paid-in capital/ registered capital *RMB*	Effective Interest attributable to the Group	Principal activities	Existing as an associate as at
Beijing BII-ERG Transportation Technology Co. Ltd. (北京京投億雅捷交通科技有限公司)	PRC	20,000,000	44%	Transit system software & technology research and development; system integration; provision of technology transfer, training, consulting and services; sale of developed products	30 June 2010 and 2011 and 30 November 2011

Note:

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

Summary financial information on associate

	Assets	Liabilities	Equity	Revenue	Profit/(loss)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
30 June 2010					
100 Percent	34,861	13,247	21,614	13,086	(1,226)
Group's effective interest	15,339	5,829	9,510	5,758	(535)
30 June 2011					
100 Percent	78,427	36,218	42,209	111,209	30,321
Group's effective interest	34,508	15,936	18,572	48,932	13,341
30 November 2011					
100 Percent	91,548	51,700	39,848	6,101	(3,206)
Group's effective interest	40,281	22,748	17,533	2,685	(1,411)

As a condition to complete the capital injection from Beijing Infrastructure Investment (Hong Kong) Limited ("BII HK"), formerly known as New Eastern Development Limited, the Company pledged its entire equity interests in Beijing BII-ERG Transportation Technology Co. Ltd. to BII HK as collateral for the payment obligation of the Company's ultimate holding company, More Legend Limited on 30 June 2011. The pledge was released on 1 September 2011.

10 INVESTMENTS IN SUBSIDIARIES

The Company

	As at 30 June 2011	As at 30 November 2011
	HK$'000	*HK$'000*
Unlisted investment, at cost	40,955	40,955

At 30 June 2011 and 30 November 2011, the Company had direct and indirect interests in the subsidiaries as set out in Section A.

11 INVENTORIES

Inventories in the consolidated balance sheets comprise:

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Spare parts	680	685	1,064

12 TRADE AND OTHER RECEIVABLES

	Note	As at 30 June		As at 30 November
		2010	2011	2011
		HK$'000	*HK$'000*	*HK$'000*
Trade receivables	*(a)/(e)*	4,002	17,055	37,085
Gross amounts due from customers for contract work		–	6,665	28,198
Amounts due from related parties	*20(c)*	1,716	5,539	248
Other receivables		294	385	927
Total receivables		6,012	29,644	66,458
Deposits and prepayments		402	3,035	606
		6,414	32,679	67,064

(a) Ageing analysis

The ageing analysis of trade receivables are as follows:

	As at 30 June		As at 30 November
	2010	2011	2011
	HK$'000	*HK$'000*	*HK$'000*
Current, within 1 month	2,201	14,770	33,221
1 to 3 months	1,801	2,285	3,864
	4,002	17,055	37,085

The Group's credit policy is set out in note 19(a).

The ageing analysis is prepared in accordance with the date of revenue recognition.

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 1(i)(i)).

There is no allowance for doubtful debts during the Track Record Period.

(c) Trade receivables that are not impaired

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

	As at 30 June		**As at 30 November**
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Neither past due nor impaired	252	660	33,221
Less than 1 month past due	1,949	14,110	220
1 to 3 months past due	1,801	2,285	3,644
	4,002	17,055	37,085

Receivables that were neither past due nor impaired relate to customers and debtors for whom there was no recent history of default.

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.

(d) Project contracts in progress

As at 30 June 2011 and 30 November 2011, the aggregate amount of costs incurred plus recognised profits less recognised losses to date, including the gross amounts due from customers for contract work was HK$24,194,000 and HK$32,309,000, respectively. The gross amounts due from customers for contract work is expected to be recovered within one year.

(e) Retention receivables

As at 30 June 2010 and 2011 and 30 November 2011, included in trade receivables are retention receivables in respect of project contracts of HK$108,000, HK$241,000 and HK$263,000, respectively. These balances are expected to be recovered within one year.

13 CASH AND CASH EQUIVALENTS

	As at 30 June		**As at 30 November**
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Cash on hand	26	403	482
Cash at bank	5,786	32,618	51,250
Cash and cash equivalents	5,812	33,021	51,732

14 TRADE AND OTHER PAYABLES

	Note	As at 30 June 2010	As at 30 June 2011	As at 30 November 2011
		HK$'000	*HK$'000*	*HK$'000*
Trade payables	*(i)*	–	1,741	13,312
Amounts due to related parties	*20(c)*	–	17,373	2,991
Cash injection from an investor	*(ii)*	–	22,855	–
Other payables		210	83	163
Accrued expenses		1,191	2,919	5,917
		1,401	44,971	22,383

Notes:

(i) As at 30 June 2010 and 2011 and 30 November 2011, all trade payables are due and payable on presentation or within one month.

(ii) Pursuant to a share subscription agreement signed between the Company and Guotai Junan on 31 May 2011, subject to the approval of the Board of directors of the Company, Guotai Junan agreed to subscribe 698 ordinary shares of the Company at a consideration of HK$22,855,000. On 1 June 2011, the Company received HK$22,855,000 from Guotai Junan. The share subscription transaction was completed on 6 July 2011 with the approval by the Board of directors of the Company.

(iii) As at 30 June 2010 and 2011 and 30 November 2011, there were no retention payables.

15 EMPLOYEE RETIREMENT BENEFITS

The Group participates in various defined contribution retirement schemes established by the relevant local government authorities for its employees. The Group is required to make contributions to the retirement scheme at 5% to 20% of the salaries, bonuses and certain allowances of its employees during the Track Record Period. The Group has no other obligation for the payment of post-retirement benefits beyond the contributions described above.

16 INCOME TAX IN THE CONSOLIDATED BALANCE SHEETS

(a) Current taxation in the consolidated balance sheets represents:

	As at 30 June 2010	As at 30 June 2011	As at 30 November 2011
	HK$'000	*HK$'000*	*HK$'000*
Corporate income tax payable	209	194	7,377

The movement of the current taxation in the consolidated balance sheets during the year are as follows:

Current taxation movement:	**Total**
	HK$'000
At 1 July 2009	355
Charge for the year	905
Tax paid for the year	(1,051)
At 30 June 2010 and 1 July 2010	209
Charge for the year	5,342
Tax paid for the year	(5,357)
At 30 June 2011 and 1 July 2011	194
Charge for the period	6,768
Tax paid for the period	(2,875)
Tax refund for the period	3,290
At 30 November 2011	7,377

(b) Deferred tax assets recognised:

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

Deferred tax arising from:	**Unused tax losses**	**Depreciation**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
At 1 July 2009	322	–	322
Through acquisition of a subsidiary	–	63	63
Charged to profit or loss	(322)	(2)	(324)
At 30 June 2010 and 1 July 2010	–	61	61
Charged to profit or loss	–	(8)	(8)
At 30 June 2011 and 1 July 2011	–	53	53
Charged to profit or loss	–	(13)	(13)
At 30 November 2011	–	40	40

(c) Deferred tax liability not recognised

At 30 November 2011, temporary differences relating to the undistributed earnings of the PRC subsidiary amounted to HK$46,279,000. Deferred tax liabilities of HK$4,628,000 have not been recognised in respect of the PRC dividend withholding tax at 10% that would be payable on the distribution of these retained earnings as the Company controls the dividend policy of the subsidiary and the directors have determined that these retained earnings are not likely to be distributed in the foreseeable future.

At 30 November 2011, a taxable temporary difference of HK$7,537,000 was noted in respect of investments in associate. No deferred tax liability was provided as dividends from the associate to ERG Transit Systems (Beijing) Ltd. are not subject to PRC income tax and the Group has no plan to dispose the associate in the foreseeable future.

17 CAPITAL AND RESERVES

(a) The statement of changes in equity of the Company

The reconciliation between the opening and closing balances during the Track Record Period of each component of the Group's consolidated equity is set out in the consolidated statements of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the Track Record Period are set out below:

	Share capital	Share premium	Capital reserve	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Balance as at 7 January 2011 (the date of incorporation):	–	–	–	–
Issuance of new shares	1	–	–	1
Contribution from the equity shareholders of the Company upon the Reorganisation	–	–	40,955	40,955
Balance as at 30 June 2011 and 1 July 2011	1	–	40,955	40,956
Issuance of new shares	82	42,350	–	42,432
Balance as at 30 November 2011	83	42,350	40,955	83,388

(b) Authorised and issued capital

The Company was incorporated on 7 January 2011 with an authorised capital of 100 shares with par value of US$1 each. On the same day, 100 shares were issued and allotted at a consideration of US$1 each.

On 6 July 2011, further to the approval by the Board of directors, the Company issued 8,481 new shares with par value of US$1 each to ERG Greater China BVI at a consideration of US$8,481. The amount was fully paid at a consideration of US$8,481 on 6 July 2011.

Pursuant to a share subscription agreement signed between the Company and Guotai Junan on 31 May 2011, subject to the approval by the Board of directors of the Company, Guotai Junan agreed to subscribe 698 ordinary shares of the Company at a consideration of HK$22,855,000. On 1 June 2011, the Company received HK$22,855,000 from Guotai Junan. The share subscription was approved by the Board of directors on 6 July 2011. 698 shares with par value of US$1 each were issued to Guotai Junan on 6 July 2011 accordingly.

Pursuant to a share subscription agreement and supplemental agreement signed between the Company and BII HK on 23 May 2011 and 6 July 2011 respectively, BII HK agreed to subscribe 1,419 ordinary shares of the Company at a consideration of HK$19,511,300. The share subscription was approved by the Board of directors on 6 July 2011. 1,419 shares with par value of US$1 each were issued to BII HK on 6 July 2011 accordingly. The consideration was fully paid on by BII HK on 11 July 2011.

For the purpose of this Financial Information, the aggregate amount of share capital of the companies now comprising the Group, after elimination of investments in subsidiaries, was included in capital reserve during the Track Record Period.

(c) Share premium

As mentioned in Note (b) above, on 6 July 2011, Guotai Junan subscribed 698 ordinary shares of the Company at a consideration of HK$22,855,000 of which HK$5,000 was credited to share capital and HK$22,850,000 was credited to the share premium.

On 6 July 2011, BII HK subscribed 1,419 ordinary shares of the Company at a consideration of HK$19,511,300 of which HK$11,000 was credited to share capital and HK$19,500,300 was credited to the share premium.

(d) Capital reserve

In the consolidated balance sheets, the capital reserve represents the aggregate amount of paid-in capital or share capital of the companies now comprising the Group after elimination of the investments in subsidiaries.

In the Company's balance sheets, the capital reserve represents the net assets of the subsidiaries at the Reorganisation date.

(e) Statutory reserves

Pursuant to the Articles of Association of the Company's subsidiaries in the PRC, appropriations to the statutory reserves were made at a certain percentage of profit after taxation determined in accordance with the accounting rules and regulations of the PRC. The percentage for this appropriation was decided by the directors of the respective subsidiaries. Statutory reserve fund can be utilised in setting off accumulated losses or increasing capital of the subsidiaries and is non-distributable other than in liquidation.

(f) Exchange reserve

The exchange reserve represents foreign exchange differences arising from the translation of the financial statements of companies outside Hong Kong. The reserve is dealt with in accordance with the accounting policies set out in note 1(q).

(g) Retained earnings available for distribution

The Company was incorporated on 7 January 2011 and has not carried on any business since the date of its incorporation. Accordingly, there were no retained earnings available for distribution to equity shareholders as at 30 November 2011.

(h) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for equity shareholders, and benefits for other stakeholders.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder interests that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

Currently, the Group intends to finance its operation through cash flows from operations and equity finance.

18 OPERATING LEASE COMMITMENTS

As at 30 June 2010 and 2011 and 30 November 2011, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 30 June		As at 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	838	285	2,508
After 1 year but within 5 years	278	–	4,378
	1,116	285	6,886

19 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

Credit evaluations are performed on all customers requiring credit over a certain amount.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at 30 June 2010 and 2011 and 30 November 2011, 41%, 89% and 51% of the trade receivables were due from the Group's largest customer, and 80%, 96% and 98% of the trade receivables were due from the Group's five largest customers respectively.

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

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 12.

(b) Liquidity risk

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

The following table details the remaining contractual maturities at the balance sheet dates of the Group's financial liabilities which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet dates) and the earliest dates the Group can be required to pay:

	Contractual undiscounted cash outflow		
	Within 1 year or on demand	**Total**	**Balance sheet carrying amount**
	HK$'000	*HK$'000*	*HK$'000*
At 30 June 2010			
Trade and other payables	1,401	1,401	1,401
At 30 June 2011			
Trade and other payables	44,971	44,971	44,971
At 30 November 2011			
Trade and other payables	22,383	22,383	22,383

(c) Interest rate risk

The interest rate profile of the Group's and the Company's interest-bearing financial instruments was:

The Group

	As at 30 June		**As at 30 November**
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Variable rate instruments			
Financial assets – cash at bank	5,786	32,618	51,250
	5,786	32,618	51,250

As at 30 June 2010 and 2011 and 30 November 2011, it is estimated that a general increase/decrease of 10 basis points in interest rates for cash at bank, with all other variables held constant, would increase/decrease the Group's profit for the year and retained earnings by approximately HK$4,000, HK$19,000 and HK$42,000.

(d) Foreign currency exchange risk

For presentation purposes, the Group and the Company's financial information is shown in Hong Kong dollars. The companies within the Group, whose functional currencies are different from Hong Kong dollars, have translated their financial information into Hong Kong dollars for consolidation purpose. As at 30 June 2010 and 2011 and 30 November 2011, all companies within the Group have no financial instruments that were denominated in a currency other than the respective functional currency in which they measured.

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

The carrying amounts of the Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 30 June 2010 and 2011 and 30 November 2011.

20 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship of related parties

Name of party	Relationship
Mr. Cao Wei and his close family member	Controlling Shareholders
Mr. Chen Rui	The director of the Company
ERG Transportation Greater China Company Limited ("ERG Greater China BVI")	Company controlled by Controlling Shareholders
ERG Transportation (Greater China) Pty Ltd ("ERG Greater China")	Company controlled by Controlling Shareholders, Ex-holding company of ERG BJ
BETIT Australia Pty Ltd	Company controlled by Controlling Shareholders, holding company of ERG Greater China
More Legend Limited ("More Legend")	Company controlled by Controlling Shareholders
Landcity Limited	Controlled by Mr. Chen Rui and his close family member
Beijing BII-ERG Transportation Technology Co. Ltd. *(Note (i))*	Associate of the Company
Vix Technology (East Asia) Limited ("Vix East Asia")	Shareholder of ERG Greater China BVI
Vix Technology (Aust) Ltd ("Vix Technology")	Fellow subsidiary of Vix East Asia

Note:

(i) Beijing BII-ERG Transportation Technology Co. Ltd., or BII ERG, the English translation of the name is for reference only and the official name of this entity is in Chinese.

(b) Transactions with related parties

The principal transactions which were carried out in the ordinary course of business are as follows:

	Years ended 30 June		**Five months ended 30 November**	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Technical service income:				
BII ERG	1,096	–	–	–
Vix Technology	600	4,094	1,792	4,021
Technical service costs:				
BII ERG	2,047	7,810	1,731	–
Administrative service costs:				
ERG Greater China	682	–	–	–

The directors of the Company are of the opinion that the above related party transactions were conducted on normal commercial terms and were priced with reference to prevailing market prices, and in the ordinary course of business. The directors have confirmed that except for technical service income from Vix Technology (Aust) Ltd, the above transactions will not continue in the future after [●].

(c) Outstanding balances with related parties

	As at 30 June		As at 30 November
	2010	**2011**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
Trade and other receivables:			
BII ERG	1,105	5,065	–
Vix Technology	611	474	248
Trade and other payables:			
BII ERG	–	7,996	2,991
ERG Greater China	–	4,878	–
Controlling share holders	–	4,499	–

Amounts due from/to related parties are unsecured, non-interest bearing, and are repayable on demand or in accordance with contractual terms which are similar to those terms offered to/by third parties.

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group is as follows:

	Years ended 30 June		Five months ended 30 November	
	2010	**2011**	**2010**	**2011**
	HK$'000	*HK$'000*	*HK$'000* (Unaudited)	*HK$'000*
Short-term employee benefits	812	2,151	896	432

Total remuneration is included in staff costs (see note 3(a)).

(e) Other related party transaction

The Group pledged certain assets to BII HK as collateral for More Legend's payment obligation for the purchase of the shares held by BII HK. For details, please refer to Note 10.

21 ACQUISITION OF A SUBSIDIARY

On 30 March 2010, the Group acquired the entire equity interests of ERG Transit Systems (HK) Limited ("ERG HK") at a consideration of HK$4,000,000.

The identifiable assets acquired and liabilities assumed are set out below:

	Note	At 30 March 2010 *HK$'000*
Property, plant and equipment		208
Inventories		651
Trade and other receivables		2,874
Cash and cash equivalents		1,967
Trade and other payables		(1,340)
Current taxation		(360)
Deferred tax assets		63
Total identifiable net assets		4,063
Satisfied in cash	*(i)*	–
Cash acquired		1,967
Net cash inflow		1,967

(i) The purchase consideration of HK$4,000,000 was settled by the equity shareholders of the Company.

Gain on bargain purchase was recognised in the profit or loss as a result of the acquisition as follows:

	At 30 March 2010
	HK$'000
Total consideration	4,000
Fair value of identifiable net assets	4,063
Gain on bargain purchase	(63)

(ii) Revenue and profit of ERG HK since the acquisition date included in the consolidated income statement for the year ended 30 June 2010 was HK$5,259,000 and HK$2,298,000, respectively.

Revenue and profit of the Group for the year ended 30 June 2010 as though the acquisition date of this acquisition had been as of 1 July 2009 was HK$34,934,000 and HK$5,065,000, respectively.

(iii) The results of operation from 1 July 2009 to the acquisition date of ERG HK are set out as below:

	Period ended 30 March 2010
	HK$'000
Revenue	11,344
Cost of sales	(653)
Other net income	18
Selling, general and administrative expenses	(10,569)
Profit before taxation	140
Income tax	(23)
Profit for the period	117

22 CRITICAL ACCOUNTING JUDGEMENTS IN APPLYING THE GROUP'S ACCOUNTING POLICIES

The Group's financial position and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the consolidated Financial Information. Management bases the assumptions and estimates on historical experience and on other factors that the management believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of significant accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The significant accounting policies are set out in note 1. Management believes the following significant accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment for property, plant and equipment

If circumstances indicate that the carrying amounts of property, plant and equipment may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised to reduce the carrying amounts to the recoverable amount in accordance with the accounting policy for impairment of these assets as described in note 1(i)(ii). The recoverable amount is the greater of the net selling price and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of future income and operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of future income and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

(b) Impairment for trade and other receivables

The Group estimates impairment losses for trade and other receivables resulting from the inability of the customers to make the required payments. The Group bases its estimates on the ageing of the trade and other receivables balance, customer credit-worthiness, and historical write-off experience. If the financial condition of the customers were to deteriorate, actual write-offs would be higher than expected and could significantly affect the result in future periods.

(c) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determinations are uncertain during the ordinary course of business. Where the final tax outcomes are different from the amounts that were initially recorded, such differences may impact the income tax and deferred tax provisions in the year/period in which such determinations are made.

(d) Revenue Recognition

As explained in policy note 1(p)(i) revenue recognition on an uncompleted project is dependent on estimating the total outcome of the service contract, as well as the work done to date. Based on the Group's recent experience and the nature of the services activity undertaken by the Group, the Group makes estimates of the point at which it considers the work is sufficiently advanced such that the costs to complete and revenue can be reliably estimated. As a result, until this point is reached the amounts due from customers for contract work as disclosed in note 12 will not include profit which the Group may eventually realise from the work done to date. In addition, actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of the reporting period, which would affect the revenue and profit recognised in future years as an adjustment to the amounts recorded to date.

23 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET ADOPTED FOR THE PERIOD ENDED 30 NOVEMBER 2011

	Effective for accounting periods beginning on or after
Amendments to IAS 12, Income taxes	1 January 2012
IFRS 13, Fair Value Measurement	1 January 2013
IFRS 10 Consolidated financial statements	1 January 2013
IAS 28 Investments in associates and joint ventures	1 January 2013
Revised IAS 19, Employee benefits	1 January 2013
IFRS 9, Financial instruments	1 January 2015

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

24 ULTIMATE HOLDING COMPANY

The parent company of the Company is ERG Greater China BVI, a company with limited liability incorporated in the BVI on 8 March 2011. The ultimate holding company is More Legend, a company with limited liability incorporated in the BVI on 4 March 2011. The ultimate controlling party is Mr. Cao Wei and his close family member. These entities do not produce financial statements available for public use.

D SUBSEQUENT EVENTS

(i) Change of the Company's legal name

Pursuant to a written resolution passed by the Board of Directors on 29 November 2011, it was resolved that the name of the Company was changed from Beijing Metro Holdings Company Limited to China City Railway Transportation Technology Holdings Company Limited. The Company's new name was registered at Companies Registry on 11 January 2012.

(ii) Pledge agreement with BII HK

The aforesaid First Pledge in note 10 of Section C was subsequently released on 16 December 2011.

On 12 January 2012, the Group paid an amount of HK$19,511,300 to BII HK as collateral for More Legend's payment obligation due to BII HK according to an agreement between the Group and BII HK. The collateral was subsequently released and this amount was received on 10 April 2012.

E SUBSEQUENT FINANCIAL STATEMENT

No audited financial statements have been prepared for the Company and its subsidiaries in respect of any period subsequent to 30 November 2011.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong