THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in China City Railway Transportation Technology Holdings Company Limited, you should hand this circular together with the accompanying form of proxy at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

This circular appears for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

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: 8240)

MAJOR TRANSACTION RELATING TO THE ACQUISITION OF THE ENTIRE INTEREST IN INNOVATION HOLDING CO., LTD.

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 6 to 35 of this circular.

A notice convening the EGM to be held at Room 915, 9/F, 2nd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China on Tuesday, 25 June 2013 at 2:00 p.m. is set out on pages 93 to 94 of this circular. A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

7 June 2013

CONTENTS

Page

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"2013 Audited Report"	the audited financial report of the Target Group for the year ending 31 December 2013 to be issued by an accountant appointed or approved by the Purchaser adopting relevant accounting standards
"2013 Profits"	the profit after tax and extraordinary expenses as set out in the 2013 Audited Report
"ACC System"	automated fare collection clearing centre system, a network-level system which apportions and clears amounts among the clearing participants registered in the system to realise their commercial agreements
"Acquisition"	the acquisition of the Sale Share from the Vendor by the Purchaser pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 8 May 2013 entered into between the Purchaser and the Vendor in relation to the Acquisition
"Acquisition Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
"Adjusted Consideration"	the new consideration adjusted with reference to the 2013 Audited Report pursuant to the Acquisition Agreement
"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Beijing City Railway" or "Purchaser"	Beijing City Railway Holdings Company Limited (北京城市軌道交通控股有限公司), a company incorporated under Hong Kong law with limited liability and an indirect wholly-owned subsidiary of the Company and a holder of 44% of the equity interest in BII ERG
"Beijing Subway"	the transit rail network that serves the urban and suburban districts of Beijing municipality which is owned by the city of Beijing
"Beijing Transport Consultation"	北京城市軌道交通諮詢有限公司 (Beijing City Railway Transportation Consultation Co., Ltd.*), a company established under PRC law with limited liability, and a holder of 10% of the equity interest in BII ERG

"BII"	北京市基礎設施投資有限公司 (Beijing Infrastructure Investment Co., Ltd.*), 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. BII is currently interested in the entire issued share capital of BII HK
"BII ERG"	北京京投億雅捷交通科技有限公司 (Beijing BII-ERG Transportation Technology Co. Ltd.*), a company established under PRC law with limited liability. As at the Latest Practicable Date, BII ERG was owned as to 46% by the Target Company, 44% by Beijing City Railway, and 10% by Beijing Transport Consultation
"BII HK" or "Vendor"	Beijing Infrastructure Investment (Hong Kong) Limited (京投(香港)有限公司), a wholly-owned subsidiary of BII incorporated under Hong Kong law with limited liability and one of the Shareholders which held approximately 9.95% of the issued share capital of the Company as at the Latest Practicable Date, and is currently interested in the entire equity interest in the Target Company
"Board"	the board of Directors
"Business Day"	any day other than a Saturday, Sunday or public holiday on which banks are generally open for business in Hong Kong throughout their normal business hours
"Company"	China City Railway Transportation Technology Holdings Company Limited, an exempted company incorporated in the Cayman Islands with limited liability, and the Shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"connected person"	has the meaning ascribed to it under the GEM Listing Rules and the word "connected" shall be construed accordingly
"Consideration"	consideration payable by the Purchaser to the Vendor for the Acquisition
"Consideration Share(s)"	154,192,094 new Shares falling to be allotted and issued by the Company to the Vendor to satisfy the Consideration pursuant to the Acquisition Agreement

"Director(s)"	the director(s) of the Company
"EGM"	an extraordinary general meeting of the Company to be held for the purpose of considering, and if thought fit, approving the Acquisition Agreement and the respective transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Acquisition
"ERG BJ"	億雅捷交通系統(北京)有限公司 (ERG Transit Systems (Beijing) Ltd.*), a wholly foreign-owned enterprise under PRC law with limited liability whose entire equity interest is directly held by Beijing City Railway
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	a party or parties that is or are independent of and not connected with (within the meaning of the GEM Listing Rules) any Directors, chief executive, substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"Last Trading Day"	8 May 2013, being the last trading day of the Shares before the release of the announcement in relation to the Acquisition
"Latest Practicable Date"	5 June 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Committee"	the listing sub-committee of the Stock Exchange
"MOU"	the memorandum of understanding dated 7 November 2012 entered into between the Company as purchaser and BII as vendor in relation to the Acquisition

"PCC System"	PIS control centre system, a network-level system which centralises the functions of compiling and disseminating multimedia information and day-to-day operation data, receiving external information, and acting as information link between various lines within a public transport system with passenger interchange points
"PIS"	passenger information system, a line-level system which gives real-time audio and multimedia information to passengers through computerised public announcements and digital display subsystems
"PRC"	the People's Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan
"Sale Share"	one allotted and issued ordinary share of the Target Company, representing its entire issued share capital
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder"	has the meaning ascribed to it under the GEM Listing Rules
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers, as amended from time to time
"Target Company"	Innovation Holding Co., Ltd., a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Vendor as at the Latest Practicable Date
"Target Group"	the Target Company and BII ERG

"TCC System"	traffic control centre system, a network-level system whose functions include coordinating and supervising the respective control centers and operators of different lines, facilitating information exchange between the lines and operators, direct control in cases of emergency, contacting and coordinating with external public functions such as the police, fire stations and weather observatories
"Vix East Asia"	Vix Technology (East Asia) Limited, a company incorporated in Hong Kong with limited liability whose entire issued share capital is held by Vix Holdings. Vix East Asia was interested in approximately 60.16% equity interests in the Company as at the Latest Practicable Date
"Vix Group"	Vix Technology (Aust) Ltd, a company incorporated under Australian law with limited liability, and its subsidiaries from time to time, including Vix Holdings, Vix East Asia and Vix IP
"Vix Holdings"	Vix Holdings Ltd, a company incorporated under Australian law with limited liability. Vix Holdings held 100% interests in Vix East Asia at the Latest Practicable Date
"Vix IP"	Vix IP Pty Ltd, a company incorporated under Australian law with limited liability whose entire issued share capital is held by Vix Holdings
"Vix Transportation"	Vix Transportation Systems Pty Ltd, a company incorporated under Australian law with limited liability whose entire issued share capital is held by Vix Mobility Pty Ltd. Vix Transportation holds the entire issued share capital of Vix Holdings
"%"	per cent

For the purpose of illustration only, amounts denominated in RMB in this circular for the year ended 30 June 2011 have been translated into HK$ at the rate of RMB1=HKD1.174 and for the year ended 30 June 2012 and other periods, RMB1=HKD1.227. Such translations should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

* *For identification purpose only*

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: 8240)

Executive Directors:
Cao Wei *(Chief Executive Officer)*
Chen Rui

Non-executive Directors:
Tian Zhenqing *(Chairman)*
Steven Bruce Gallagher

Independent non-executive Directors:
Hu Zhaoguang
Bai Jinrong
Luo Zhenbang

Registered office:
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Cricket Square
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Grand Cayman KY1-1112
Cayman Islands

Head office and principal place of business in the PRC:
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Qingyun Modern Plaza
Block 9, Mantingfang Garden
Qingyun Lane, Haidian District
Beijing
The PRC

Principal place of business in Hong Kong
Unit 4407, 44/F
COSCO Tower
183 Queen's Road Central
Hong Kong

7 June 2013

**MAJOR TRANSACTION
RELATING TO THE
ACQUISITION OF THE ENTIRE INTEREST IN
INNOVATION HOLDING CO., LTD.**

To the Shareholders

Dear Sir or Madam,

INTRODUCTION

Reference is made to the announcement of the Company dated 8 May 2013 in relation to, among others, the Acquisition.

On 8 May 2013, the Purchaser (being an indirect wholly-owned subsidiary of the Company) and the Vendor entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share (representing the entire issued share capital of the Target Company). The principal asset of the Target Company is its 46% direct equity interest in BII ERG. Upon Acquisition Completion, the Target Company would become an indirect wholly-owned subsidiary of the Company.

The purpose of this circular is to provide you with, among others, (i) further information of the Acquisition; (ii) the accountant's report on the Target Group; (iii) the unaudited pro forma financial information of the Enlarged Group; and (iv) a notice of the EGM and the form of proxy.

THE ACQUISITION AGREEMENT

Date: 8 May 2013

Parties:

(a)	The Purchaser:	Beijing City Railway Holdings Company Limited, an indirect wholly-owned subsidiary of the Company and an investment holding company incorporated in Hong Kong
(b)	The Vendor:	Beijing Infrastructure Investment (Hong Kong) Limited, an investment holding company incorporated in Hong Kong

As at the Latest Practicable Date, the Vendor was one of the Shareholders which held approximately 9.95% of the issued share capital of the Company. The Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company. The Target Company has an authorised share capital of US$50,000 divided into 50,000 ordinary shares of US$1.00 each, of which one share has been issued as fully paid up and is beneficially owned by the Vendor.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Share (representing the entire issued share capital of the Target Company). The principal asset of the Target Company is its 46% direct equity interest in BII ERG.

Consideration

The Consideration of HK$107,934,465.80 was arrived at after arm's length negotiations between the Purchaser and the Vendor after taking into account (i) the net asset value of the Target Group; (ii) the historical financial information regarding the performance of the Target Group; (iii) the opportunity for the Group to vertically integrate its operations and services provided to customers by enriching its capabilities to design and provide application solutions at both line level and network level, together with the cost benefits achieved in respect of resources allocation upon Acquisition Completion; (iv) the opportunity to expand the Group's business scope and geographical coverage (in particular the second-tier and third-tier cities in which the Group did not have any presence prior to the Acquisition) and market share in the industry; (v) the competitive strengths, business synergy and potential returns from the investment in the Target Group which will contribute positively to the financial results of the Group; (vi) the strategic planning and positioning of the Group in the railway transportation market; (vii) the Target Profits (as defined below) undertaken by the Vendor; and (viii) the opportunity to consolidate the Group's shareholding of and exercise control in the Target Group.

The Consideration will be satisfied by an issue of 154,192,094 Consideration Shares by the Company, under the procurement by the Purchaser, credited as fully paid, to the Vendor (or its nominees), of which represents (i) approximately 19.27% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.16% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares (assuming that there will be no other change in the issued share capital of the Company between the Latest Practicable Date and the date of the Acquisition Completion save for the issue of the Consideration Shares), as illustrated in the table set out under the paragraph "Effect on shareholding structure of the Company" below. The authorised share capital of the Company is HK$20,000,000 divided into 2,000,000,000 of HK$0.01 each.

Upon the issue of the Consideration Shares to the Vendor (or its nominees), the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) would be entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company, the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) will become a substantial shareholder and a connected person of the Company under Rule 20.11(1) of the GEM Listing Rules. Transactions between the Group and the Vendor (or any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company) or their respective associates upon Acquisition Completion may constitute connected transactions or continuing connected transactions ("**Connected Transactions**") for the Company under Chapter 20 of the GEM Listing Rules.

The issue price of HK$0.70 per Consideration Share was arrived at after arm's length negotiations between the Purchaser and the Vendor and represents:

(a) a discount of approximately 13.58% to the closing price of the Shares of HK$0.81 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of approximately 16.67% to the closing price of the Shares of HK$0.84 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of approximately 16.07% to the average closing price of HK$0.834 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day;

(d) a discount of approximately 13.79% to the average closing price of HK$0.812 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day;

(e) a discount of approximately 13.42% to the average closing price of HK$0.8085 per Share as quoted on the Stock Exchange for the last twenty consecutive trading days up to and including the Last Trading Day; and

(f) a premium of approximately 62.79% over the net asset value of HK$0.43 per Share for the six months ended 31 December 2012.

The Consideration Shares will be allotted and issued on the Acquisition Completion pursuant to the specific mandate to be sought at the EGM. The issue of Consideration Shares under the Acquisition will not result in a change of control of the Company.

Lock-up arrangement for the Consideration Shares

Pursuant to the Acquisition Agreement, the Vendor undertakes that, without the prior written consent of the Company, the Vendor shall not, and shall procure that none of its associates or companies controlled by it or nominees or trustees holding in trust for it shall, sell, transfer or otherwise dispose of (or enter into any agreement to dispose of) any Consideration Shares held by the Vendor, or any Consideration Shares held directly or indirectly by the Vendor or its associates, in any company controlled by them which is the beneficial owner of any such Consideration Shares nor permit the registered holder to dispose of (or enter into any agreement to dispose of) any of their direct or indirect interests in such Consideration Shares during a period commencing from the date of the Acquisition Completion and ending on the date which is the first anniversary of the date of the Acquisition Completion.

Ranking of the Consideration Shares

The Consideration Shares will rank, upon issue, pari passu in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares and the Consideration Shares, when issued, will be free from all liens, charges and encumbrances and together with all rights attaching to them including the right to receive all dividends declared, made or paid on or after the date of allotment and issue.

Application will be made by the Company to the Stock Exchange for the granting of the listing of, and permission to deal in, the Consideration Shares.

Consideration Adjustment

The parties thereto agreed to adjust the Consideration with reference to the 2013 Profits as set out in the 2013 Audited Report. The Consideration shall be adjusted in accordance with the formula set out below in the event the 2013 Profits is less than HK$25,000,000 ("**Target Profits**"):

$$\textbf{Adjusted Consideration} = \textbf{Consideration} - \left[\textbf{Consideration X} \frac{\textbf{(Target Profits} - \textbf{2013 Profits)}}{\textbf{Target Profits}}\right]$$

The Vendor shall pay to the Purchaser in cash for the difference ("**Difference**") between the Adjusted Consideration and the Consideration; and the Difference shall be payable to the Purchaser (or its nominees) within 15 Business Days after the issue of 2013 Audited Report.

The Target Profits was determined by the parties thereto with reference to the historical financial information regarding the performance of the Target Group, the favourable prospects in respect of the operation of the Target Group and as the incentive for better performance by the Target Group. Moreover, the Vendor undertakes that the Difference would in no event exceed 50% of the Consideration (i.e. HK$53,967,232.90).

In case that the Difference in any event shall exceed 50% of the Consideration or the Target Group shall record net losses for the year 31 December 2013, parties to the Acquisition Agreement has mutually agreed to enter into a supplemental agreement to the Acquisition Agreement, in which the compensation by the Vendor to the Purchaser will be negotiated and agreed thereupon by the parties in good faith. The Purchaser would agree with the Vendor on such compensation mechanism based on, among others, the original terms of the Acquisition Agreement. The Company would procure that any supplemental agreement(s) to the Acquisition Agreement would be entered into in accordance with the best interest of the Company and the Shareholders, and in compliance with the GEM Listing Rules (if applicable).

Pursuant to the Acquisition Agreement, in the event the 2013 Profits equals to or higher than the Target Profits, the Consideration shall not be adjusted upward.

Further announcement(s) will be made in relation to the adjustment on Consideration if and when appropriate in compliance with the applicable requirements of the GEM Listing Rules.

Conditions precedent of the Acquisition Agreement

Completion of the Acquisition is conditional upon fulfillment of the following conditions:

(a) the Target Group, the Company, the Vendor and the Purchaser having obtained all necessary consents and approvals in relation to the Acquisition;

(b) the Purchaser being satisfied that all of the Vendor's warranties (other than those disclosed to the Purchaser) remain true and accurate and not misleading in any material respect and no event or circumstance has occurred that would result in any material adverse change at all times from the date of the Acquisition Agreement up to the date of Acquisition Completion;

(c) (if required) the SFC has granted approval or consent that the allotment, issue and listing of the Consideration Shares would not trigger a general offer under the Takeovers Code; and the Company or the relevant Shareholders have obtained the approval from the SFC in relation to the allotment, issue and listing of the Consideration Shares;

(d) the Listing Committee granting or agreeing to grant the allotment, issue and permission to list and deal in the Consideration Shares, whether the approval or consent is unconditionally or subject to conditions;

(e) the passing of the relevant resolution(s) by the independent Shareholders at an extraordinary general meeting of the Company approving the Acquisition Agreement and transactions contemplated thereunder (including the issue and allotment of the Consideration Shares) in compliance with the memorandum and articles of association of the Company and the GEM Listing Rules;

(f) the obtaining by the Purchaser of: (i) a legal opinion (in form and substance satisfactory to the Purchaser) by a PRC legal adviser designated by the Purchaser; and (ii) a legal opinion (in form and substance satisfactory to the Purchaser) by a British Virgin Islands legal adviser designated by the Purchaser in relation to the due incorporation and valid subsistence of the Target Company;

(g) the Purchaser conducting a due diligence review of and being satisfied with the assets, liabilities, operation and business of the Target Group; and

(h) (if required) the obtaining by the Company of the approval from the independent Shareholders in relation to the Connected Transactions and the related transactions contemplated thereunder.

As at the Latest Practicable Date, none of the conditions precedent set out above had been waived or fulfilled. The Directors confirmed that the Company currently does not have the intention to waive any of the aforesaid conditions precedent. The Purchaser may at its absolute discretion waive in writing conditions (b), (f) and (g). In the event that any of the above conditions precedent are not fulfilled or waived (where applicable) and remain unfulfilled on or before 31 December 2013 (or such later date as may be agreed by the parties in writing), the Acquisition Agreement shall lapse and no party to the Acquisition Agreement will have any further rights or obligations under the Acquisition Agreement except in respect of the specific provisions regarding confidentiality, the force of laws and the governing law and jurisdiction as set out in the Acquisition Agreement which will continue in full force and effect and no party to the Acquisition Agreement shall have any claim against or liability to the other party, save for antecedent breaches of the Acquisition Agreement.

Acquisition Completion

Acquisition Completion shall take place at 12:00 noon on the third Business Day following the date on which the last of the above conditions is fulfilled or waived (where applicable), or such later place or date as the parties to the Acquisition Agreement may agree in writing prior to Acquisition Completion.

Pursuant to the Acquisition Agreement, the Vendor has the right to nominate a proposed candidate to act as a Director within three months upon the Acquisition Completion and the Purchaser shall procure the Company to make any such relevant arrangements. Further announcement will be made in relation to the appointment of Director when appropriate in compliance with the applicable requirement of the GEM Listing Rules.

INFORMATION OF THE GROUP

The Company is an investment holding company. Its subsidiaries are principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong.

Transactions between the Group and BII

As disclosed in the Prospectus dated 3 May 2012, Beijing Metro Network, a wholly-owned subsidiary of BII and a fellow subsidiary of BII HK, was one of the major customers of the Company for each of the two years ended 30 June 2011. Beijing Metro Network, a company established for setting up and operating the railway transport command centre in Beijing, has been working closely with the Group regarding the two important network-level systems of the Beijing Subway, namely the ACC System and the TCC System; to which the Group provided transportation system design, installation and maintenance services of the existing systems and the expansion of such systems.

The Directors expect that Group will continue to provide similar services to Beijing Metro Network in the future. Assuming all of the Consideration Shares will be issued to BII HK and upon the issue of the Consideration Shares to BII HK, BII HK would be entitled to exercise, or control the exercise of, 10% or more of the voting power at any general meeting of the Company, BII HK and Beijing Metro Network will become connected persons of the Company under Chapter 20 and transactions between the Group and Beijing Metro Network may constitute connected transactions or continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Further announcement(s) will be made in relation to the aforesaid connected transactions if and when appropriate in compliance with the applicable requirements of the GEM Listing Rules. Save as disclosed above, there was no other ongoing transaction between the Group and BII as at the Latest Practicable Date.

Transactions between the Group and BII ERG

As disclosed in the Prospectus, BII ERG was one of the subcontractors of the Group, which was then the only company in China that possessed the requisite licensed technology awarded by Vix Group in relation to the ACC System during the period, to provide labour, materials and services necessary for completion of certain parts of the services undertaken by the Group under the project agreements.

For each of the three years ended 30 June 2012, the revenue of the BII ERG derived from the Group as subcontractor amounted to approximately RMB1,800,000, RMB6,650,000 and RMB42,317,000, which accounted for approximately 15.52%, 6.96% and 66.32% of the total revenue of BII ERG respectively. For each of the three years ended 30 June 2012, the gross profit of the BII ERG derived from the Group as subcontractor amounted to approximately RMB1,150,000, RMB4,122,000 and RMB18,930,000, which accounted for approximately 19.17%, 9.23% and 75.10% of the total gross profit of BII ERG respectively.

The Directors expect that the Group will continue to engage BII ERG as its subcontractor which will undertake certain part of the Group's work under the project agreements. Upon Acquisition Completion, the Company will indirectly hold 90% of the equity interest of BII ERG and BII ERG will become a subsidiary of the Company. Accordingly, ongoing transactions between the Group and BII ERG will be intra-group transactions and will not constitute connected transactions of the Company.

Apart from BII ERG, there are also ongoing transactions between the Group and the holding company of one of BII ERG's substantial shareholder. Upon Acquisition Completion, BII ERG will become a subsidiary of the Company. Beijing Transport Consultation, a holder of 10% of the equity interest in BII ERG, will become a substantial shareholder of the Group and a connected person of the Group. The holding company of Beijing Transport Consultation, namely 北京市軌道交通建設管理有限公司 (Beijing Railway Construction and Management Co., Ltd.*) ("**Beijing Railway Construction**"), as an associate of Beijing Transport Consultation, will also become a connected person of the Group.

Beijing Railway Construction was one of the customers of the Target Group. The Target Group provided transportation system design, installation and maintenance services to Beijing Railway Construction for the line-level systems of the Beijing Subway. The Directors expect that the Enlarged Group will continue to provide similar services to Beijing Metro Network in the future and transactions between the Group and Beijing Railway Construction may constitute connected transactions or continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. Further announcement(s) will be made in relation to the aforesaid connected transactions if and when appropriate in compliance with the applicable requirements of the GEM Listing Rules.

Transactions between the Group and the Vix Group

As disclosed in the Prospectus, at the inception of each of ERG Transit Systems (HK) Limited ("**ERG HK**") and ERG BJ, Vix Holdings was interested in their entire equity interest and members of the Vix Group have been working together with ERG HK and ERG BJ in various projects. All the overseas projects (other than maintenance agreements) which ERG HK participated in were tenders won by the Vix Group. Further, each of ERG HK and ERG BJ has entered into a licensing agreement on 28 February 2012 (each subsequently amended and supplemented by a supplemental licensing agreement on 15 October 2012) (collectively, the "**Licensing Agreements**") with Vix IP pursuant to which each of ERG HK and ERG BJ was granted a non-exclusive and non-transferable license to use certain licensor technology in the

Greater China region (i.e. the PRC, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan). Each of the Licensing Agreements has a term of three years commencing from 15 October 2012. The aforesaid transactions constituted continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules; further details of the Licensing Agreements are set out in the announcement of the Company dated 15 October 2012.

As also disclosed in the Prospectus, BII ERG entered into a licensing agreement on 3 December 2009 with Vix IP pursuant to which BII ERG was licensed to use certain technology, owned by the Vix Group in automatic fare collection systems, which include a range of application solutions and products that may be applied and used by BII ERG at the network level and/or at the line level depending on the business of BII ERG. Upon Acquisition Completion, the aforesaid licensing arrangement constituted continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules. As at the Latest Practicable Date, there was no ongoing transaction between BII ERG and the Vix Group. Further announcement(s) will be made in relation to the aforesaid connected transactions if and when appropriate in compliance with the applicable requirements of the GEM Listing Rules.

Further, as disclosed in the Prospectus, members of the Vix Group also subcontracted to the Group various aspects of the projects obtained by them in Hong Kong and South East Asia because the Group's staff in Hong Kong possessed the necessary technical expertise and experience, and staff and operation costs are typically lower in Hong Kong than in Australia. On 8 June 2012, ERG BJ entered into an agreement ("**Optimisation Project Technical Service Agreement**") with Vix East Asia, pursuant to which Vix East Asia agreed to provide ERG BJ with technical services in relation to the optimisation of the ACC System of Beijing Subway. On the same date, ERG BJ entered into an agreement ("**ACC System Project Technical Service Agreement**") with Vix East Asia, pursuant to which Vix East Asia agreed to provide ERG BJ with certain technical services in relation to the operation of the ACC System of Beijing Subway, for a term of two years from 8 June 2013. The aforesaid transactions constituted continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules; further details of the Optimisation Project Technical Service Agreement and the ACC System Project Technical Service Agreement are set out in the announcement of the Company dated 8 June 2012.

INFORMATION OF THE TARGET GROUP

The Target Company was incorporated in the British Virgin Islands on 2 January 2013 with limited liability. As at the Latest Practicable Date, the Target Company was a wholly-owned subsidiary of the Vendor and an investment holding company interested in 46% equity interest in BII ERG.

BII ERG was a joint venture jointly established by BII and ERG BJ on 10 September 2009, and its business scope covers transportation system software research and development, transportation network technology research and development, system integration, technology transfer, technology consultation, technology service, computer technology training and sale of self-developed products. It is a national high-tech enterprise, and has both national software enterprise accreditation and software product manufacture accreditation (also known as double software enterprise accreditation) qualifications. In March 2010, in order to further strengthen its financial strength and research and development capabilities, its registered capital was increased and contributed by BII, ERG BJ and 北京華通科峰軌道交通科技開發有限公司 (Beijing Huatong Kefeng Railway Technology Development Co., Ltd.*) ("**Beijing Huatong Kefeng**") respectively. After such increase, its registered capital reached RMB20 million, and BII, ERG BJ and Beijing Huatong Kefeng contributed to 46%, 44% and 10% of its equity interests respectively. On 31 January 2013, BII and the Target Company entered into an agreement pursuant to which BII transferred 46% equity interest in BII ERG to the Target Company in accordance with its internal reorganisation completed on 10 April 2013. On 14 December 2012, Beijing Huatong Kefeng transferred its 10% equity interest in BII ERG to Beijing Transport Consultation, a company owned as to 93% by Beijing Railway Construction, whom is also the sole shareholder of Beijing Huatong Kefeng. Beijing Transport Consultation is principally engaged in the vehicle manufacturing and supervision, tender agency services for railway transportation system and provision of technical advice. Save for being one of the shareholders or former shareholders of BII ERG, each of Beijing Huatong Kefeng and Beijing Transport Consultation was an Independent Third Party as at the Latest Practicable Date. To the best of the knowledge, information and belief of the Directors, there were no historical transactions between the Group and Beijing Huatong Kefeng. BII ERG was principally engaged in design, development and sale of software and hardware in application solutions and products for the subsystems of a public transport system specifically for each individual subway line. As at the Latest Practicable Date, BII ERG had a registered capital of RMB20,000,000 and a total investment of RMB40,000,000; and the registered capital of the BII ERG had been fully paid-up. BII ERG is currently owned as to 46% by the Target Company, 44% by Beijing City Railway, an indirectly wholly-owned subsidiary of the Company, and 10% by Beijing Transport Consultation. The Company's investment costs of the 44% equity interest in BII ERG amounted to RMB8,800,000 (equivalent to approximately HK$10,797,600).

BII ERG provides application solutions and products for the subsystems of a public transport system at the line level. BII ERG entered into a licensing agreement on 3 December 2009 with Vix IP pursuant to which BII ERG was licensed to use certain technology, owned by the Vix Group in automatic fare collection systems, which include a range of application solutions and products that may be applied and used by BII ERG at the network level and/or at the line level depending on the business of BII ERG. From 2006 to the Latest Practicable Date, BII ERG and ERG BJ were the only companies in the PRC that possessed the licensed technology solutions from the Vix Group in relation to the ACC System currently used by Beijing Subway. BII ERG had been awarded and participated in one automated fare collection system ("**AFC System**") project in relation to multiple line centre ("**MLC**") and three PIS projects during 2009 and 2010, which represented a market share of 100% and about 23% respectively for those projects that took place in Beijing during that period.

BII ERG had completed the design and development of the MLC and it had successfully won the tender for the procurement and installation of MLC for the Beijing Subway which had the capacity to cater for the connection with 10 subway lines. Such project, being the first MLC in the PRC, was completed and launched in December 2010. BII ERG had also performed research and development works on components in the PSD System and BII ERG had entered into a contract for the procurement and installation of platform screen doors for Phase II of Line 10 of the Beijing Subway. BII ERG had also entered into contract for the procurement and installation of power supervisory control and data acquisition system and building automation system for the Changchun Light Rail.

The net asset value of the Target Group as at 30 June 2012 was approximately RMB43,353,000 (equivalent to approximately HK$53,182,000). The profits before taxation of the Target Group for the two years ended 30 June 2011 and 30 June 2012 were approximately RMB26,876,000 (equivalent to approximately HK$31,563,000) and RMB9,596,000 (equivalent to approximately HK$11,777,000) respectively. The profits for the year of the Target Group for the two years ended 30 June 2011 and 30 June 2012 were approximately RMB25,818,000 (equivalent to approximately HK$30,320,000) and RMB8,253,000 (equivalent to approximately HK$10,130,000) respectively.

As at the Latest Practicable Date, the sole director of the Target Company was appointed by BII HK while the board of directors of BII ERG comprised Mr. Cao, Mr. Chen, each being a Director, and three individuals appointed by the Target Company. After Acquisition Completion, all representative(s) from either BII HK or the Target Company will resign and it is intended the Group will send one of the Directors to take up the position and act as the sole director of the Target Company. In addition, it is intended that the Group will replace the existing legal representative of BII ERG with its representative after Acquisition Completion.

MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

Set out below is the management discussion and analysis of the results of the Target Group for the period from 10 September 2009 (date of establishment of BII ERG, a subsidiary of the Target Company) to 30 June 2010, each of the years ended 30 June 2011 and 2012 and the six months ended 31 December 2012 (the "**Track Record Period**"). The related financial information is based on the financial information as set out in Appendix II to this circular which have been prepared in accordance with International Financial Reporting Standards.

Business and operational review

The principal activities of the Target Group are design, development and sale of hardware and software in relation to application solutions specifically for each individual subway line and products for the subsystem of a public transport system. The Target Group will design and develop application solutions for its customers based on their requirements.

BII ERG is committed to provide centralised technology system (such as AFC System, line sub-system under the integrated control system, full range smart card management service (including ticket card management, customer service center management, financial settlement management, automatic recharge management, on-site service and plan management) for the operation and management at the line level of railway transportation) and provide technology research and development, project implementation and operating services for other municipal related projects.

Railway transportation is the main way of public transportation in a city. Generally, in order to cater for the public transportation in the city, a railway transportation system comprised various lines to form a railway network. With continuous development and improvement of the railway transportation, and after formation of the transportation structure with networking and various operating subjects, a city-level system is required to be set up for the purpose of protecting and improving the comprehensive service level of road network.

BII ERG focuses on people, and owns a professional, intellectual and young talent team. As of 31 December 2012, it had a total of 111 employees, of which, 99 employees held the bachelor's degree or above.

As one of the main suppliers for railway transportation in Beijing, BII ERG, based on the principles of creation, pragmaticism and integrity, endeavours to develop a smart and professional railway transportation system, and with project advancement and technology research and development, strives to provide professional support in terms of system and technology for the network operation of railway transportation in Beijing.

Operational flow

Under the current business model of the Target Group, the contracts for application solutions and products are obtained on a project basis through tender process. The key steps involved in the typical operational flow of the Target Group are set out below:

(i) obtaining potential tender or project information in the market or when potential customer approach with its business development plan;

(ii) conducting research and feasibility studies of the project or plan to be performed;

(iii) preparing bidding proposal for such tender offers;

(iv) signing of relevant project agreement (with the major terms including detailed scope of services required, implementation timeline for stage completion and pricing and set out therein) when a tender is awarded to the Target Group;

(v) executing the project in accordance with the requirements and timetable pursuant to such project agreement; and

(vi) carrying out the inspection, testing and acceptance by customer when the project is completed and the deliverables are ready.

Major projects

Set out below are the major projects involved by the Target Group:

City-level System of Railway Transportation

- Multi-line shared AFC System Line Center (MLC) Project for Beijing Railway Transportation

The core system of this project was self-developed by BII ERG, which has broken down the technological barriers that core system in the field of railway transportation fare collection must rely on foreign research and development, and in which it has proprietary intellectual property rights. The contract of this project was executed in May 2010, and the acceptance certificate on completion of this project was issued in early December 2011. The system has operated stably and reliably since then.

- Unified Card Readers Project for Beijing Railway Transportation

The Beijing Municipal Commission of Transport proposed to further optimise the AFC System in 2009, requiring unified production and supply of card readers. BII ERG was responsible for the research and development of unified card readers.

Specialised Systems for Railway Transportation Lines

- PIS Project for Line No. 15 of the Beijing Subway

The contract of this project was executed in November 2009. For "Section 1 of Phase I Project", the acceptance certificate on completion was issued and the trial operation was commenced by the end of 2010. For "Section 2 of Phase I Project", the acceptance certificate on completion was issued and the trial operation was commenced on 31 December 2011.

- PIS Project for Changping Line of the Beijing Subway

The contract of this project was executed in February 2010. For "Phase I Project", the acceptance certificate on completion was issued and the trial operation was commenced at the end of 2010.

- PIS Project for Phase II of Line No. 10 of the Beijing Subway

The contract of this project was executed in August 2011. The construction of three pilot stations and two pilot sections of this project was completed in 2011. On 11 December 2012, the acceptance certificate on completion for the PIS system of 20 stations, two centres and one parking lot was issued and the trial operation was officially commenced on 30 December 2012.

- Platform Screen Door Project for Phase II of Line No. 10 of the Beijing Subway

BII ERG mainly completed equipment supply and tuning for 21 stations and four water logging stations in 2012. Initial test of the system was passed in mid December of 2012, and the trial operation was commenced at the end of 2012.

- Installation of Additional Platform Screen Doors Project for Line No. 13 of the Beijing Subway

This is the first project to install additional platform screen doors in Beijing city.

During the progress of constructing this project, a management team which is familiar with safety doors installation project and have good relationships with subway operating companies could be developed, which would lay down solid foundation for undertaking the platform screen door installation project for Line No. 2 of the Beijing Subway.

- Safety Door Supply Project for Line No. 14 of the Beijing Subway

This project comprises purchase, installation, supervision and tuning of safety doors system equipments for total 74 side platforms of 37 underground stations (35 underground stations and 2 on-ground stations) of Line No. 14 of the Beijing Subway.

As of 31 December 2012, BII ERG was organising the construction of seven stations of Phase I (being the first operating section) of this project, which is making progress smoothly.

- Building Automation System (BAS) and Power Supervisory Control and Data Acquisition System (PSCADA) Project for Phase III of Changchun Light Rail

The contract of this project was executed in April 2011. BII ERG completed the development test for system application software and the supply and leave-factory check of hardware equipments in 2011. The on-site installation and tuning as organised in 2012, and the acceptance certificate on completion of this project was issued in August 2012.

Major customers and suppliers

For the three years ended 30 June 2012, the major customers of the Target Group included ERG BJ, smart systems developers and providers and construction and installation project companies.

For the three years ended 30 June 2012, the major suppliers of the Target Group included manufacturers or agents of application solution related hardware and spares parts, application solution software development companies and computer systems providers.

Financial review

Revenue generating cycle

Revenue represents sales of application solution related hardware and spare parts, sales of application solution software, contract revenue from the provision of design and implementation of application solution services, and contract revenue from the provision of maintenance of application solution services. 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 Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of profit or loss as follows:

(i) Contract revenue

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

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

In general, for provision of design and implementation of application solution services, customers of the Target Group will organise inspection and testing of its work according to the milestone as set out in the service contract. Once the inspection and testing is passed, the Target Group will recognise the respective revenue and receivables. The Target Group will then issue the related invoice to its customers and its customers will usually settle the bill within three months.

In general, for provision of maintenance of application solution services, revenue will be recognised monthly throughout the contract period and receivables will be recognised according. The Target Group will issue related invoices to its customer quarterly and customers will usually settle the bill within one month.

(ii) Sale of goods

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

In general, the Target Group will recognise the revenue and receivables once the above recognition conditions are met. The Target Group will then issue the related invoice to its customers and its customers will usually settle it the bill within three months.

For the six months ended 31 December 2012 as compared to the six months ended 31 December 2011

Revenue

Revenue represents sales of application solution related hardware and spare parts, sales of application solution software, contract revenue from the provision of design and implementation of application solution service, and contract revenue from the provision of maintenance of application solution service.

Revenue increased by approximately 759% from approximately RMB15.43 million for the six months ended 31 December 2011 to approximately RMB132.58 million for the six months ended 31 December 2012. The increase was mainly attributable to the growth in revenue arising from 1) the sales of application solution related hardware and spare parts in relation to the safety door procurement project regarding the construction of Beijing Subway Line 10 phase II and Line 14 as well as the hardware procurement project regarding the construction of the second phase of the Beijing Subway railway transport command center; and 2) the provision of design and implementation of application solution services in relation to the construction of the second phase of the Beijing Subway railway transport command center.

Gross profit

Gross profit increased by approximately 380% from approximately RMB3.31 million for the six months ended 31 December 2011 to approximately RMB15.88 million for the six months ended 31 December 2012. Gross profit margin decreased by approximately 43% from approximately 21% for the six months ended 31 December 2011 to approximately 12% for the six months ended 31 December 2012. The decrease in gross profit margin was mainly due to the increase in cost of sales, largely cost of materials, arising from the sales of application solution related hardware and spare parts which accounted for approximately 85% of the Target Group's revenue for the six months ended 31 December 2012.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by approximately 48% from approximately RMB11.45 million for the six months ended 31 December 2011 to approximately RMB16.99 million for the six months ended 31 December 2012. The increase was mainly attributable to the increase in staff costs arising from the expansion in the average number of workforce from 86 employees for the six months ended 31 December 2011 to 116 employees for the six months ended 31 December 2012 and annual salary increment.

Loss and total comprehensive income for the period

Loss and total comprehensive income for the period improved by approximately 71% from loss of approximately RMB2.98 million for the six months ended 31 December 2011 to loss of approximately RMB0.85 million for the six months ended 31 December 2012. The decrease of loss was mainly attributable to the increase in gross profit.

For the year ended 30 June 2012 as compared to the year ended 30 June 2011

Revenue

Revenue decreased by approximately 33% from approximately RMB95.56 million for the year ended 30 June 2011 to approximately RMB63.81 million for the year ended 30 June 2012. The decrease was mainly attributable to the reduction in revenue arising from 1) the sales of application solution related hardware and spare parts in relation to the PIS project for Beijing Subway Line 15 and Changping Line as well as the Multi Line Centre project for Beijing Subway; and 2) the provision of design and implementation of application solution services in relation to the ACC and TCC Integration Project regarding Beijing Subway Line 15, Daxing Line, Yizhuang Line, Fangshan Line and Changping Line.

Gross profit

Gross profit decreased by approximately 44% from approximately RMB44.65 million for the year ended 30 June 2011 to approximately RMB25.21 million for the year ended 30 June 2012. Gross profit margin decreased by approximately 15% from approximately 47% for the year ended 30 June 2011 to approximately 40% for the year ended 30 June 2012. The decrease in gross profit margin was mainly due to the increase in subcontracting fees arising from the sales of application solution software.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by approximately 11% from approximately RMB17.92 million for the year ended 30 June 2011 to approximately RMB19.89 million for the year ended 30 June 2012. The increase was mainly attributable to the increase in business development expenses and tender fees.

Profit and total comprehensive income for the year

Profit and total comprehensive income for the year decreased by approximately 68% from approximately RMB25.82 million for the year ended 30 June 2011 to approximately RMB8.25 million for the year ended 30 June 2012. The decrease was mainly attributable to the drop in revenue and gross profit margin.

For the year ended 30 June 2011 as compared to the period from 10 September 2009 to 30 June 2010

Revenue

Revenue increased by approximately 724% from approximately RMB11.60 million for the period from 10 September 2009 to 30 June 2010 to approximately RMB95.56 million for the year ended 30 June 2011. The increase was mainly attributable to the fact that the business operating entity of the Target Group was not operating in full scale during the period from 10

September 2009 to 30 June 2010 as it was only established in 10 September 2009 and was at its initial set up stage during the period; while for the year ended 30 June 2011, the business operating entity of the Target Group had established its full presence in the market and managed to win a number of tenders in every segment the entity operated.

Gross profit

Gross profit increased by approximately 644% from approximately RMB6.00 million for the period from 10 September 2009 to 30 June 2010 to approximately RMB44.65 million for the year ended 30 June 2011. Gross profit margin decreased by approximately 10% from approximately 52% for the period from 10 September 2009 to 30 June 2010 to approximately 47% for the year ended 30 June 2011. The decrease in gross profit margin was mainly attributable to the projects the Target Group undertook during the period from 10 September 2009 to 30 June 2010 were relatively more software related of which the cost of sales were largely labour costs that were relatively lower as compared to other cost of sales; while for the year ended 30 June 2011, the Target Group undertook more hardware related projects of which the cost of sales were largely cost of materials that were relatively higher as compared to other cost of sales.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by approximately 152% from approximately RMB7.10 million for the period from 10 September 2009 to 30 June 2010 to approximately RMB17.92 million for the year ended 30 June 2011. The increase was mainly attributable to the fact that the Target Group was not in full operation during the period from 10 September 2009 to 30 June 2010 and most of the daily operating expenses were not fully reflected; while for the year ended 30 June 2011, following the expansion of the operating scale of the Target Group, selling, general and administrative expenses increased accordingly, in particular labour costs, rental expenses and business development expenses.

Loss or profit and total comprehensive income for the period/year

Loss or profit and total comprehensive income for the period/year improved by approximately 2,491% from loss of approximately RMB1.08 million for the period from 10 September 2009 to 30 June 2010 to profit of approximately RMB25.82 million for the year ended 30 June 2011. The increase of profit was mainly attributable to the increase in revenue and gross profit.

Fluctuation in revenue since the establishment of the Target Group

It is the industry general practice that all contracts for railway transportation work should be obtained through tender process. The business operating entity of the Target Group was established in 10 September 2009, the tender processes of most of the work to be carried out during the year had already been completed by then, therefore the Target Group was not able to obtain much contracts since its establishment to 30 June 2010.

For the year ended 30 June 2011, the Target Group had already established its full presence in the market and managed to obtain a number of tenders for each of its operating segments, thus increased its revenue significantly as compared to previous period.

For the year ended 30 June 2012, the Target Group was not able to obtain the tenders they targeted, thus resulted in a drop in revenue for the year as compared to previous year.

For the six months ended 31 Dec 2012, the Target Group's revenue was already more than double of the revenue for the whole year ended 30 June 2012. The increase was mainly due to the increase in revenue arising from the construction of the second phase of the Beijing Subway railway transport command center.

Fluctuation in gross profit margin since the establishment of the Target Group

The work the Target Group undertook since its establishment to 30 June 2010 were mainly maintenance work and software development work of which the associated cost of sales were mainly direct labour costs. For the year ended 30 June 2011, approximately 64.5% of the Target Group's revenue was generated from the sales of application solution related hardware and spare parts of which the associated cost of sales were cost of materials that were fundamentally higher than labour costs. Cost of sales for the year ended 30 June 2011 increased by approximately 809.4% as compared to previous period of which cost of materials represented approximately 41.8% of the total revenue for the year ended 30 June 2011. Such increase in cost of materials resulted in the drop in gross profit margin for the year ended 30 June 2011 significantly.

For the year ended 30 June 2012, due to tight delivery deadline, the Target Group subcontracted part of its software development work to two independent third parties of which the subcontracted fees represented approximately 24.1% of its total revenue, while the subcontracting fee incurred for the year ended 30 June 2011 only accounted for 5.3% of its total revenue. Such increase resulted in the drop in gross profit margin for the year ended 30 June 2012 as compared to previous year.

For the six months ended 31 December 2012, approximately 85.3% of the Target Group's revenue was generated from the sales of application solution related hardware and spare parts. The associated costs of sales of such projects were mainly cost of materials that were fundamentally much higher as compared to other costs which represented approximately 86.1% of the Target Group's total revenue for the period. The market for hardware related projects had becoming more competitive, however, the company responsible for the hardware installation would have a much higher chance to win the related maintenance contract (which is usually much more profitable), therefore the Target Group was willing to suffer for a lower gross profit margin in the short run which resulted into a drop in overall gross profit margin for the period.

Liquidity and financial resources

For the period from 10 September 2009 to 30 June 2010, each of the years ended 30 June 2011 and 2012 and the six months ended 31 December 2012, the Target Group financed the operations and capital expenditures mainly with the paid-in capital contributed by the equity shareholders of the Target Group and from cash generated from operations.

As at 30 June 2010, 30 June 2011, 30 June 2012 and 31 December 2012, the Target Group had net assets of approximately RMB18.86 million, RMB35.10 million, RMB43.35 million and RMB42.51 million respectively and cash and cash equivalents of approximately RMB3.14 million, RMB14.20 million, RMB38.64 million and RMB31.46 million respectively.

Gearing ratio

Gearing ratio is calculated as adjusted debt divided by adjusted capital. Adjusted debt is defined as trade and bills payables plus unaccrued distributions less cash and cash equivalents. Adjusted capital is defined as total equity less unaccrued distributions. As at 30 June 2010 and 31 December 2012, the gearing ratio of the Target Group was approximately 16% and 232% respectively. While as at 30 June 2011 and 30 June 2012, the Target Group was at net cash position (cash and cash equivalent exceed trade and bills payables plus unaccrued distributions), therefore no gearing ratio was presented.

Capital structure

As at 30 June 2010, 30 June 2011, 30 June 2012 and 31 December 2012, the paid-in capital of the Target Group was approximately RMB20 million.

Significant investments held, material acquisition or disposals of subsidiaries and affiliated companies

For the period from 10 September 2009 to 30 June 2010, each of the years ended 30 June 2011 and 2012 and the six months ended 31 December 2012, there was no significant investments held and no material acquisition and disposals of subsidiaries and affiliated companies.

Employees and remuneration policy

As at 30 June 2010, 30 June 2011, 30 June 2012 and 31 December 2012, the Target Group had 67, 87, 101 and 111 employees. The staff costs, including remuneration of the Target Company's director, for the period from 10 September 2009 to 30 June 2010, each of the years ended 30 June 2011 and 2012 and the six months ended 31 December 2011 and 2012 were approximately RMB6.09 million, RMB15.36 million, RMB17.32 million, RMB8.78 million and RMB13.21 million respectively.

Employees remuneration will be reviewed annually with reference to the performance of individual employees, the conditions of the human resources market and the general economy.

The Target Group maintains contributions to the PRC social insurance scheme in accordance to the relevant PRC laws and regulations for its employees. The social insurance scheme in the PRC includes retirement, work injury, medical care, unemployment and other insurance coverage for the employees.

Pledge of assets

As at 30 June 2010, 30 June 2011, 30 June 2012 and 31 December 2012, the Target Group had no pledge of assets.

Charge on group assets

As at 30 June 2010, 30 June 2011, 30 June 2012 and 31 December 2012, the Target Group had no charge on group assets.

Segment review

The Target Group has the following operating segments:

- Hardware and spare parts: this segment sells application solution related hardware and spare parts

- Software: this segment designs and sells application solution software

- Design and implementation: this segment provides design and implementation of application solution services

- Maintenance: this segment provides application solution maintenance services

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 during the Track Record Period. The Target Group's other income and expense items such as other revenue and selling, general and administrative expenses, 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 are presented.

Information regarding the Target Group's reportable segments for the Track Record Period is set out below.

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010			
	Hardware and spare parts	Software	Maintenance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	1,632	8,165	1,800	11,597
Reportable segment gross profit	1,102	3,747	1,150	5,999

	Year ended 30 June 2011				
	Hardware and spare parts	Software	Design and implementation	Maintenance	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	61,626	27,287	4,850	1,800	95,563
Reportable segment gross profit	20,619	19,913	3,012	1,110	44,654

	Year ended 30 June 2012			
	Hardware and spare parts	Software	Design and implementation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	16,158	45,217	2,437	63,812
Reportable segment gross profit	4,220	19,099	1,888	25,207

	Six months ended 31 December 2011			
	Hardware and spare parts	Software	Design and implementation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	9,640	4,837	950	15,427
Reportable segment gross profit	1,079	1,777	450	3,306

	Six months ended 31 December 2012			
	Hardware and spare parts	Software	Design and implementation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	113,085	795	18,702	132,582
Reportable segment gross profit	5,731	–	10,144	15,875

The revenue of the Target Group are all derived from customers located in the PRC. The Target Group's non-current assets (ie. fixed assets) are all located in the PRC.

Foreign exchange exposure

The Target Group has only one business operating entity and is located in the PRC. This entity mainly earned revenue and incurred costs in its local currency, Renminbi. The Directors considered the impact of foreign exchange exposure of the Target Group is minimal.

Contingent liabilities and capital commitment

As at 30 June 2010, 30 June 2011, 30 June 2012 and 31 December 2012, the Target Group had no material contingent liabilities and capital commitment.

Future plans and prospects

The development model of the railway transportation industry in China has turned from construction-focused to operation-focused, from completion to competence and from extensive to intensive due to the continuous development of the railway transportation industry. BII ERG is committed to provide services for the railway transportation industry in the long-term, thus it also needs to change the development direction and operational model of its main business to establish a leading position in the railway transportation industry in Beijing, whose development is well ahead of national level, and expand its business into nationwide railway transportation market through introduction of the advanced experience, models and products gained or developed by Beijing business to various cities throughout China.

In the coming two years, BII ERG will focus on enhancing the standardisation of each of its professional fields (including AFC and PIS). On the one hand, it will conduct research and develop the core software and hardware products of these fields in order to transform the way of conducting businesses from project-based to product-based. On the other hand, it will engage in the operation and maintenance of each professional fields and obtain more precise and detailed information for operation and product demand through conducting those operation and maintenance business, in order to guide its research and development work and establish the business direction of focusing on operation and maintenance and technical services.

In the AFC field, it will further research and develop and improve the standard software for the equipment system and station system as well as research and develop technologies for other payment methods such as mobile payment, so as to maintain the leading edge in the industry. It will also carry out businesses and promote standardisation concurrently in other cities by taking advantage of the radiation effect of the existing standards in Beijing on other cities, and then introduce our products to these cities once the standardisation of one or two projects is realised; and develop operation and maintenance business in Beijing to seek to gain presence in the operation and maintenance of all lines where standardisation is realised, and gradually develop products such as easily damaged parts and parts with new functions during the conduct of maintenance.

In the PIS field, it will organise for formulation of the standard system of PIS system, while research and develop hardware products mainly including vehicle-to-ground communication equipment, broadcast control terminal equipment, broadcast control security system and module and system software mainly including PCC and multi-line center. It also plans to be the first company to introduce the PIS standard system building, construct PCC systems, construct or reconstruct PIS systems for one to two lines in Beijing to acquire standardised projects. It will develop a business model focusing on construction of multi-line center and sales of standardised products, supported by PIS line system projects. In addition, it will provide operation and maintenance services, and gradually expand into the operation and maintenance of information content to get ready for entering other derivative fields while acquire the operation and maintenance business of system and products.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the design, implementation and maintenance of application solutions for centralising various functions of public transport systems in Beijing and Hong Kong. A public transport system mainly comprises computer systems and infrastructures and it is made up of lines which together form a network. The Group provides software and hardware application solutions at the network level of a public transport system where lines within such system are connected to. Such application solutions provide a centralised computer platform which enables different computer subsystems performing different functions at the line level of the public transport systems to be connected and linked up at the network level whereby operators of the public transport systems can monitor and oversee the operation of the entire public transport system at the control centre.

BII ERG is principally engaged in design, development and sale of software and hardware in application solutions and products for the subsystems of a public transport system at the line level.

Taking into account the line-level application solutions will be linked up with and integrated into the network-level systems, the Acquisition represents a good opportunity for the Group to vertically integrate its services provided to customers by enriching its capabilities to design and provide application solutions at both line level and network level. This could enable a more efficient integration of the systems at these two levels and ensure the compatibility of the line-level systems with the network-level systems; and it could also enable more efficient maintenance and management of the systems.

Moreover, BII ERG has built up its customer clientele in Changchun and was awarded various contracts at the line level by the operators of public transport systems at Changchun for the provision of application solutions or products. In view of the favourable policy recently launched by the PRC government in relation to the development of the railway transportation, in particular in second-tier and third-tier cities, at which the initial set up of a railway transport system would normally start with line level and subsequently various lines joining together to form a network, the Directors consider BII ERG has the necessary qualification, experience and resources for the provision of software and hardware application solutions and products for the subsystems of a public transport system at the line level; and the Acquisition will enable the Group to capture the aforesaid potential market opportunities.

Therefore, the Directors believe the Acquisition will bring business synergy and enhance the competitive edge and increase the market share of the Group in the industry by virtue that (i) the Group will be able to expand its business scope to provide application solutions and products at both line level and network level services and operations; (ii) the Group will be able to expand its business geographical coverage to places outside Beijing and Hong Kong such as Changchun; and (iii) the Group will be able to provide better services to the existing customers and to attract potential customers.

After taken into account, among others, (i) the opportunity to vertically integrate its services and gain access to the line-level systems operation; (ii) the opportunity to diversify the business of the Group in terms of both business scope and geographical coverage and broaden its income source; and (iii) the basis of the Consideration as mentioned above, the Directors consider that the terms of the Acquisition are on normal commercial terms, fair and reasonable and in the interest of the Group and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

The respective shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Acquisition Completion are set out below:

	As at the Latest Practicable Date		**Immediately after the Acquisition Completion (i.e. after allotment of 154,192,094 Consideration Shares)**	
	No. of Shares	*Approximate %*	*No. of Shares*	*Approximate %*
Substantial Shareholders				
More Legend Limited	269,509,815 *(Notes 1 and 2)*	33.69	269,509,815	28.25
Vix Technology (East Asia) Limited	144,380,258 *(Notes 2 and 3)*	18.05	144,308,258	15.13
Landcity Limited	67,377,454 *(Notes 2 and 4)*	8.42	67,377,454	7.06
Public Shareholders				
BII HK	79,584,969 *(Note 5)*	9.95	233,777,063	24.50
Other public Shareholders	239,147,504	29.89	239,147,504	25.06
Total	800,000,000	100.00	954,192,094	100.00

Notes:

1. As at the Latest Practicable Date, More Legend Limited was the legal and beneficial owner of approximately 33.69% of the entire issued share capital of the Company. Mr. Cao Wei, an executive Director and chief executive officer of the Company, and Ms. Wang Jiangping were the legal and beneficial owners as to 75% and 25%, respectively, of the entire issued share capital of More Legend Limited.

2. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend Limited, Vix Technology (East Asia) Limited and Landcity Limited, they have confirmed that they have been parties acting in concert in the operation and management of ERG Transportation Greater China Company Limited and the Company since 16 May 2012. 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.

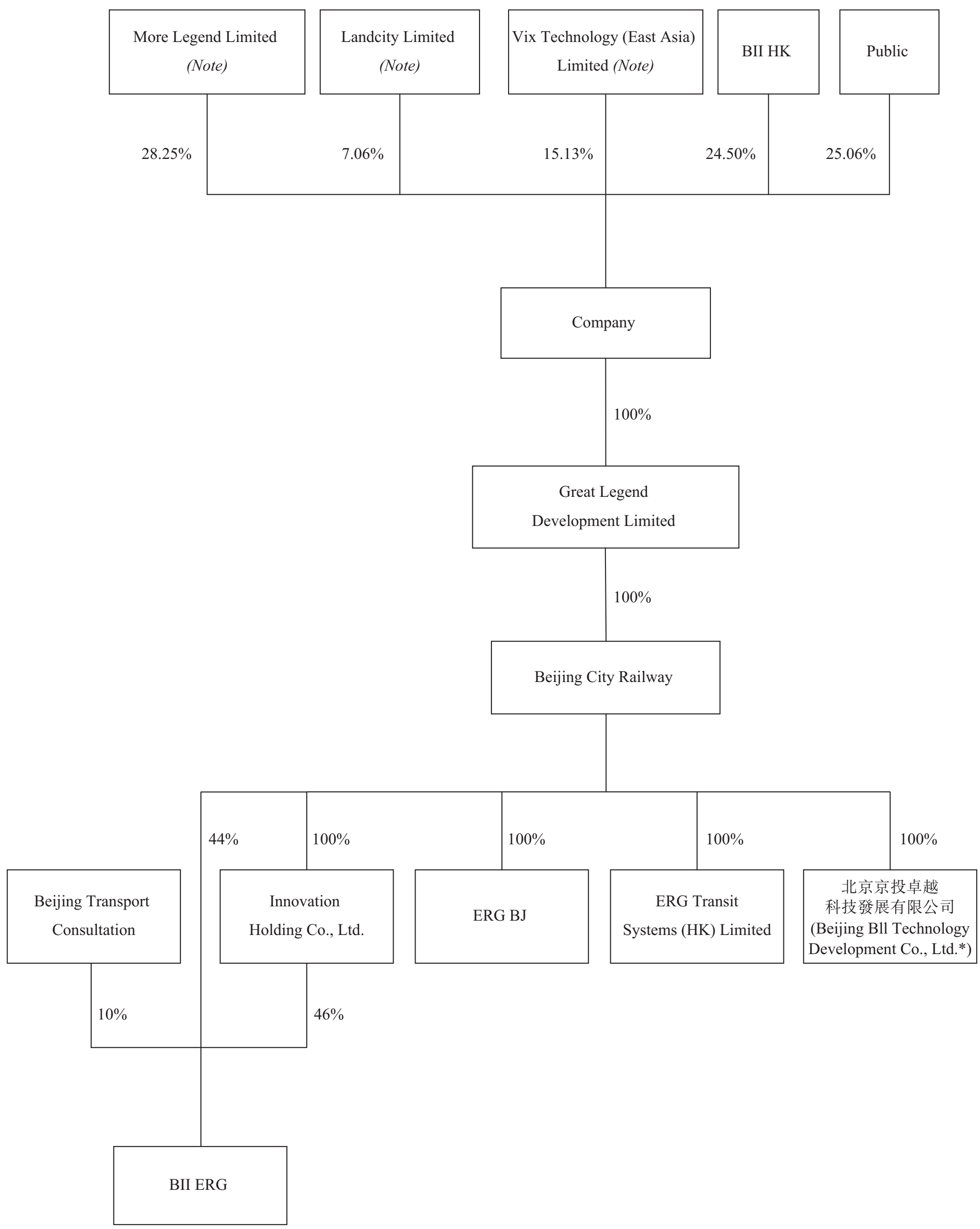
3. As at the Latest Practicable Date, Vix Technology (East Asia) Limited was the legal and beneficial owner of approximately 18.05% of the entire issued share capital of the Company. Vix Technology (East Asia) Limited was a wholly owned subsidiary of Vix Holdings Limited.

4. As at the Latest Practicable Date, Landcity Limited was the legal and beneficial owner of approximately 8.42% of the entire issued share capital of the Company. Sino Choice Trust held 100% of Landcity Limited as trustee in favour of Mr. Chen Rui, an executive Director, and Ms. Jiang Wenjun.

5. As at the Latest Practicable Date, BII was 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.

CORPORATE STRUCTURE OF THE GROUP

Set out below is the corporate structure of the Group immediately after the Acquisition Completion:



Note:

On 21 November 2012, ERG Transportation Greater China Company Limited ("**ERG Greater China BVI**") transferred 269,509,815 Shares to More Legend Limited at a consideration of HK$245,253,931. On 26 November 2012, ERG Greater China BVI transferred 67,377,454 Shares to Landcity Limited at a consideration of HK$60,639,708. On 26 November 2012, ERG Greater China BVI transferred 144,380,258 Shares to Vix Technology (East Asia) Limited at a consideration of HK$144,380,258. Pursuant to the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend Limited, Vix Technology (East Asia) Limited and Landcity Limited, they have confirmed that they have been parties acting in concert in the operation and management of ERG Transportation Greater China Company Limited and the Company since 16 May 2012. 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.

FINANCIAL EFFECTS OF THE ACQUISITION ON THE COMPANY

Upon Acquisition Completion, the Target Company will become an indirectly wholly-owned subsidiary of the Company and the Company will indirectly hold 90% of the equity interest of BII ERG. The financial results of the Target Group will be consolidated into the consolidated financial statements of the Company. As such, the non-competition undertaking given by BII ERG ("**BII ERG Non-Competition Undertaking**") in favour of the Group on 24 April 2012 that, BII ERG or its subsidiaries, shall not, among others, participate in business which will or may compete with the Group's business; and the first right of refusal granted by BII ERG to the Group in the event BII ERG receives enquiries in respect of all actual or potential business opportunity in relation to any network level or line level business in the PRC, would cease to be effective upon Acquisition Completion. Further details of the BII ERG Non-Competition Undertaking are set out in the Prospectus.

As disclosed in the Prospectus, Vix Transportation has given a non-competition undertaking ("**Vix Undertaking**") in favour of the Group on 24 April 2012 pursuant to which Vix Transportation undertook to the Company that Vix Transportation shall not and shall procure its Affiliate not, among others, to engage in any business or activity similar to or which competes or may compete with the Business (as defined therein) of the Group. Vix Transportation also undertakes to grant to the Group a first right of refusal pursuant to which the Vix Transportation shall make reasonable enquiry regarding any opportunity containing the scope in the area of passenger auto fare collection. Further details of the Vix Undertaking are set out in the Prospectus. The Vix Group is not carrying out any business that is competing with the business of BII ERG. The Directors do not expect the co-operation model with the Vix Group will be affected by the Acquisition, including the Vix Undertaking, which the Directors consider the Vix Undertaking shall remain effective during the Relevant Period (as defined in the Prospectus).

The Directors confirmed that the Company currently does not have the intention to acquire the remaining 10% interests in BII ERG.

Assets and liabilities

Based on the "Unaudited Pro Forma Financial Information of the Enlarged Group" as set out in Appendix III to this circular, the total assets of the Group as at 31 December 2012 would be increased by approximately 49.88% from approximately HK$544.73 million to approximately HK$816.44 million upon Acquisition Completion. The increase was mainly attributable to the increase in intangible assets of approximately HK$18.43 million, increase in goodwill of approximately HK$70.12 million, increase in inventories of approximately HK$35.48 million, increase in trade and other receivables of approximately HK$130.76 million and increase in cash and cash equivalents of approximately HK$38.79 million.

Based on the "Unaudited Pro Forma Financial Information of the Enlarged Group" as set out in Appendix III to this circular, the total liabilities of the Group as at 31 December 2012 would be increased by approximately 80.24% from approximately HK$199.75 million to approximately HK$360.02 million. The increase was mainly attributable to the increase in trade and other payables of approximately HK$153.71 million.

Based on the "Unaudited Pro Forma Financial Information of the Enlarged Group" as set out in Appendix III to this circular, the net assets of the Group as at 31 December 2012 would be increased by approximately 32.30% from approximately HK$344.98 million to approximately HK$456.42 million.

Earnings

Based on the combined financial information of the Target Group as set out in Appendix II to this circular, the loss and total comprehensive income for the six months ended 31 December 2012 of the Target Group amounted to approximately RMB0.85 million. As the financial results of the Target Group would be consolidated into the consolidated financial statements of the Group, the earnings of the Group for the six months ended 31 December 2012 would be impacted by the financial results of the Target Group. It is expected that the Acquisition Completion would take place by the end of the current financial year of the Group, the Directors expect that the financial impacts on the earnings of the Group for the year ending 30 June 2013 would not be significant. However, as the Target Group was one of the major subcontractors of the Group, the Group would probably be able to make use of the resources from the Target Group to minimise some of the subcontracting costs so that the overall earnings of the Group would be better off going forward.

It should be noted that the actual earnings contribution from the Target Group after the Completion of the Acquisition will depend on the future performance of the Target Group which could not be accurately estimated as at the Latest Practicable Date.

IMPLICATION UNDER THE GEM LISTING RULES

As the applicable percentage ratios for the Acquisition under the GEM Listing Rules are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company under Rule 19.06(3) of the GEM Listing Rules. Accordingly, the Acquisition is subject to, among others, the approval of the independent Shareholders at the EGM.

EGM

The Company will convene the EGM at Room 915, 9/F, 2nd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China on Tuesday, 25 June 2013 at 2:00 p.m. to approve among other things, the Acquisition Agreement and the transactions contemplated thereunder. The resolution will be put to the vote at the EGM by poll as required by the GEM Listing Rules. A notice of the EGM is set out on pages 93 to 94 of this circular.

The Shareholder and his associates with a material interest in the Acquisition will abstain from voting on the resolutions approving the Acquisition. As at the Latest Practicable Date, the Vendor was one of the Shareholders which held approximately 9.95% of the issued share capital of the Company. The Vendor will be required to abstain from voting on the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM. Dr. Tian Zhenqing, an executive Director, was a director of the Vendor and was interested in the transactions contemplated under the Acquisition Agreement and had abstained from the Board meeting approving the Acquisition Agreement. Save as disclosed, to the best of the knowledge, information and belief of the Directors, no other Shareholder has a material interest in the transactions contemplated under the Acquisition Agreement and will be required to abstain from voting on the resolution(s) to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

A form of proxy for use at the EGM is also enclosed. Whether or not you intend to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to Tricor Investor Services Limited, the branch share registrar and transfer office of the Company in Hong Kong, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of EGM to approve the Acquisition and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
China City Railway Transportation Technology Holdings Company Limited
Cao Wei
Chief Executive Officer

FINANCIAL SUMMARY

Financial information of the Group for the six months ended 31 December 2012 is disclosed in pages 4 to 38 of 2013 interim report of the Company; financial information of the Group for the year ended 30 June 2012 is disclosed in pages 34 to 76 of 2012 annual report of the Company; and financial information of the Group for each of the two years ended 30 June 2010 and 2011 is disclosed in pages I-1 to I-38 of the prospectus of the Company dated 3 May 2012 which are published on both the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ccrtt.com.hk).

1. STATEMENT OF INDEBTEDNESS

Borrowings

As at 30 April 2013, being the most recent practicable date for the purpose of this statement of indebtedness, the Enlarged Group had no outstanding bank borrowings.

Debt instruments

As at 30 April 2013, the Enlarged Group had no debt instruments outstanding.

Debt securities

As at 30 April 2013, the Enlarged Group had no debt securities outstanding.

Contingent liabilities

As at 30 April 2013, the Enlarged Group had no material contingent liabilities outstanding.

The Enlarged Group did not have any outstanding indebtedness at 30 April 2013 or any bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, mortgages, charges, debentures, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities and any guarantees or other material contingent liabilities.

The Directors confirmed that there has been no material adverse change in the indebtedness and contingent liabilities of the Enlarged Group since 30 April 2013.

2. WORKING CAPITAL

The Directors, are of the opinion that, taking into account its internal resources presently available to the Enlarged Group and upon completion of the Acquisition, the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next twelve months from the date of this circular.

3. FINANCIAL AND TRADING PROPECTS OF THE GROUP

The Group provides software and hardware application solutions at the network level of a public transport system where lines within such system are connected to. While the Target Group is principally engaged in providing software and hardware application solutions and products for the subsystems for the ACC System, the TCC System and the PCC System at the line level of the public transport systems.

Taking into account the line-level application solutions will be linked up with and integrated into the network-level systems, the Acquisition represents a good opportunity for the Group to vertically integrate its services provided to customers by enriching its capabilities to design and provide application solutions at both line level and network level. Moreover, the Target Group has built up its customer clientele in Changchun and was awarded various contracts at the line level by the operators of public transport systems at Changchun for the provision of application solutions or products. The Acquisition represented a good opportunity for the Group to expand its business scope to include line level services and operations and also to expand its business geographical coverage.

As disclosed in the 2012 annual report of the Company, the Group's revenue increased by approximately 164.2% from approximately HK$72.0 million for the year ended 30 June 2011 to approximately HK$190.2 million for the year ended 30 June 2012. Profit attributable to the equity shareholders of the Company increased by approximately 99.3% from approximately HK$40.5 million for the year ended 30 June 2011 to approximately HK$80.7 million for the year ended 30 June 2012. The increase was mainly due to the growth in revenue arising from the provision of design and implementation of application solution services, growth in revenue arising from the sales of application solution related hardware and spare parts as well as growth in revenue from sales of application solution software. Based on the unaudited consolidated financial information for the nine months ended 31 March 2013 as disclosed in the Company's 2013 Third Quarterly Report, coupled with the potential business opportunities the Target Group could bring in, it is expected that the Enlarged Group would be highly likely to achieve revenue growth for the year ending 30 June 2013 as compared to the year ended 30 June 2012.

The following is the text of a report, prepared for the purpose of incorporation in this circular, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

7 June 2013

The Directors
China City Railway Transportation Technology Holdings Company Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the financial information relating to Innovation Holding Co., Ltd. (the "Target Company") and its subsidiary (hereinafter collectively referred to as the "Target Group") comprising the combined statements of financial position of the Target Group as at 30 June 2010, 2011 and 2012 and 31 December 2012, and the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined cash flow statements of the Target Group, for the period from 10 September 2009 (date of establishment of Beijing BII-ERG Transportation Technology Co., Ltd. ("BII ERG"), a subsidiary of the Target Company) to 30 June 2010, each of the years ended 30 June 2011 and 2012 and the six months ended 31 December 2012 (the "Track Record Period"), together with the explanatory notes thereto (the "Financial Information"), for inclusion in the shareholders' circular of China City Railway Transportation Technology Holdings Company Limited (the "Company") dated 7 June 2013 (the "Circular").

The Target Company was incorporated in the British Virgin Islands (the "BVI") on 2 January 2013 as a limited liability company under the BVI Business Companies Act, 2004. Pursuant to a group reorganisation (the "Reorganisation") as mentioned in the section headed "Letter from the Board – Information of the Target Group" in the Circular, the Target Company became the holding company of the companies now comprising the Target Group, details of which are set out in Section B Note 1(b) below. The Target Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Target Company as it has not carried on any business since the date of incorporation and not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.

The Target Company and BII ERG has adopted 30 June and 31 December, respectively, as its financial year end date. Details of the company comprising the Target Group that is subject to audit during the Track Record Period and the names of the auditors are set out in Section B Note 21. The statutory financial statements of this company were prepared in accordance with the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China (the "PRC").

The director of the Target Company has prepared the combined financial statements of the Target Group for the Track Record Period (the "Underlying Financial Statements") on the same basis in respect of the preparation of the Financial Information as set out in Section B below. The Underlying Financial Statements for the period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010, each of the years ended 30 June 2011 and 2012 and the six months ended 31 December 2012 were audited by KPMG Huazhen (Special General Partnership) under separate terms of engagement with the Company in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certificated Public Accountants (the "HKICPA").

The Financial Information has been prepared by the director of the Target Company for inclusion in the Circular in connection with the Company's acquisition of the Target Group 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 the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

DIRECTOR'S RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The director of the Target Company is 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 (the "IASB"), the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules, and for such internal control as the director of the Target Company determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Company, its subsidiary or the Target Group in respect of any period subsequent to 31 December 2012.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report, on the basis of preparation set out in Section B Note 1(b) below, a true and fair view of the state of affairs of the Target Group as at 30 June 2010, 2011 and 2012 and 31 December 2012 and the Target Group's combined results and cash flows for the Track Record Period then ended.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined cash flow statement for the six months ended 31 December 2011, together with the notes thereon (the "Corresponding Financial Information"), for which the director of the Target Company is 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 director of the Target Company is 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 COMBINED FINANCIAL INFORMATION OF THE TARGET GROUP

1 COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(Expressed in Renminbi ("RMB"))

	Section B Note	**Period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010**	**Years ended 30 June 2011**	**Years ended 30 June 2012**	**Six months ended 31 December 2011**	**Six months ended 31 December 2012**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000 (unaudited)*	*RMB'000*
Revenue	*3*	11,597	95,563	63,812	15,427	132,582
Cost of sales		(5,598)	(50,909)	(38,605)	(12,121)	(116,707)
Gross profit	*3*	5,999	44,654	25,207	3,306	15,875
Other revenue	*4*	21	142	4,280	4,229	192
Selling, general and administrative expenses		(7,097)	(17,920)	(19,891)	(11,446)	(16,989)
(Loss)/profit before taxation	*5*	(1,077)	26,876	9,596	(3,911)	(922)
Income tax	*6*	–	(1,058)	(1,343)	932	74
(Loss)/profit and total comprehensive income for the period/year		(1,077)	25,818	8,253	(2,979)	(848)
Attributable to:						
Equity shareholder of the Target Company		(492)	11,876	3,796	(1,370)	(390)
Non-controlling interests		(585)	13,942	4,457	(1,609)	(458)
		(1,077)	25,818	8,253	(2,979)	(848)

The accompanying notes form part of the Financial Information.

2 COMBINED STATEMENTS OF FINANCIAL POSITION

(Expressed in RMB)

	Section B Note	At 30 June 2010 *RMB'000*	2011 *RMB'000*	2012 *RMB'000*	At 31 December 2012 *RMB'000*
Non-current assets					
Fixed assets	*10*	503	764	659	603
Deferred tax assets	*15(b)*	–	–	–	377
		503	764	659	980
Current assets					
Inventories	*11*	5,804	1,400	9,788	28,767
Trade and other receivables	*12*	20,969	48,860	88,550	196,377
Prepaid income tax	*15(a)*	–	1,601	–	–
Cash and cash equivalents	*13*	3,137	14,195	38,636	31,455
		29,910	66,056	136,974	256,599
Current liabilities					
Trade and other payables	*14*	11,557	31,720	93,105	213,487
Income tax payable	*15(a)*	–	–	1,175	1,587
		11,557	31,720	94,280	215,074
Net current assets		18,353	34,336	42,694	41,525
NET ASSETS		18,856	35,100	43,353	42,505
CAPITAL AND RESERVES	*16*				
Paid-in capital		20,000	20,000	20,000	20,000
Reserves		(11,326)	(3,854)	(58)	(448)
Total equity attributable to equity shareholder of the Target Company		8,674	16,146	19,942	19,552
Non-controlling interests		10,182	18,954	23,411	22,953
TOTAL EQUITY		18,856	35,100	43,353	42,505

The accompanying notes form part of the Financial Information.

3 COMBINED STATEMENTS OF CHANGES IN EQUITY

(Expressed in RMB)

	Attributable to equity shareholder of the Target Company						
	Paid-in capital	**Other reserve**	**Statutory reserves**	**(Accumulated losses)/ retained profits**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Section B Note 16(b))		*(Section B Note 16(c))*				
Balance at 10 September 2009	–	–	–	–	–	–	–
Capital contributions on establishment	20,000	(10,800)	–	–	9,200	10,800	20,000
Loss and total comprehensive income for the period	–	–	–	(492)	(492)	(585)	(1,077)
Distributions to the equity holders of BII ERG *(Section B Note 16(a))*	–	–	–	(34)	(34)	(33)	(67)
Balance at 30 June 2010 and at 1 July 2010	20,000	(10,800)	–	(526)	8,674	10,182	18,856
Profit and total comprehensive income for the year	–	–	–	11,876	11,876	13,942	25,818
Appropriation to reserves	–	–	1,188	(1,188)	–	–	–
Distributions to the equity holders of BII ERG *(Section B Note 16(a))*	–	–	–	(4,404)	(4,404)	(5,170)	(9,574)
Balance at 30 June 2011 and at 1 July 2011	20,000	(10,800)	1,188	5,758	16,146	18,954	35,100
Profit and total comprehensive income for the year	–	–	–	3,796	3,796	4,457	8,253
Appropriation to reserves	–	–	379	(379)	–	–	–
Balance at 30 June 2012 and at 1 July 2012	20,000	(10,800)	1,567	9,175	19,942	23,411	43,353
Loss and total comprehensive income for the period	–	–	–	(390)	(390)	(458)	(848)
Balance at 31 December 2012	20,000	(10,800)	1,567	8,785	19,552	22,953	42,505
Balance at 1 July 2011	20,000	(10,800)	1,188	5,758	16,146	18,954	35,100
Loss and total comprehensive income for the period (unaudited)	–	–	–	(1,370)	(1,370)	(1,609)	(2,979)
Balance at 31 December 2011 (unaudited)	20,000	(10,800)	1,188	4,388	14,776	17,345	32,121

The accompanying notes form part of the Financial Information.

4 COMBINED CASH FLOW STATEMENTS

(Expressed in RMB)

	Section B Note	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010	Years ended 30 June		Six months ended 31 December	
			2011	2012	2011	2012
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Operating activities						
(Loss)/profit before taxation		(1,077)	26,876	9,596	(3,911)	(922)
Adjustments for:						
Depreciation	*5(b)*	78	248	350	167	195
Interest income	*4*	(21)	(142)	(140)	(89)	(182)
Changes in working capital:						
(Increase)/decrease in inventories		(5,804)	4,404	(8,388)	(4,842)	(18,979)
Increase in trade and other receivables		(20,969)	(27,891)	(43,903)	(17,635)	(107,827)
Increase in trade and other payables		11,557	10,589	66,555	17,914	120,382
Cash (used in)/generated from operations		(16,236)	14,084	24,070	(8,396)	(7,333)
Interest received		21	142	140	89	182
Income tax (paid)/refunded	*15(a)*	–	(2,659)	1,433	2,659	109
Net cash (used in)/generated from operating activities		(16,215)	11,567	25,643	(5,648)	(7,042)
Investing activities						
Payments for purchase of fixed assets		(581)	(509)	(263)	(166)	(143)
Proceeds from disposal of fixed assets		–	–	18	–	4
Net cash used in investing activities		(581)	(509)	(245)	(166)	(139)
Financing activities						
Capital contributions by the equity holders of BII ERG		20,000	–	–	–	–
Distributions to the equity holders of BII ERG		(67)	–	(957)	–	–
Net cash generated from/(used in) financing activities		19,933	–	(957)	–	–
Net increase/(decrease) in cash and cash equivalents		3,137	11,058	24,441	(5,814)	(7,181)
Cash and cash equivalents at the beginning of the period/year	*13*	–	3,137	14,195	14,195	38,636
Cash and cash equivalents at the end of the period/year	*13*	3,137	14,195	38,636	8,381	31,455

Non-cash transaction

During the year ended 30 June 2012, the Target Group off set the distribution payable to a subsidiary of the Company, an equity holder of BII ERG, of HK$4,213,000 with the trade receivable due from this company with the same amount.

The accompanying notes form part of the Financial Information.

B NOTES TO THE COMBINED FINANCIAL INFORMATION

(Expressed in RMB unless otherwise indicated)

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 ("IAS") and related interpretations promulgated by the IASB. Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The IASB has issued a number of new and revised IFRSs. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable 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 2012. The new and revised accounting standards and interpretations issued but not yet effective for the accounting period beginning 1 July 2012 are set out in Section B Note 20.

The Financial Information also complies with the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the GEM Listing Rules.

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

The Corresponding Financial Information for the six months ended 31 December 2011 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

(b) Basis of preparation and presentation

Prior to the Reorganisation as mentioned in the section headed "Letter from the Board – Information of the Target Group" in the Circular, the business of the Target Group was substantially carried out by BII ERG. BII ERG was established in the PRC as a limited liability company on 10 September 2009. As part of the Reorganisation undertook by the Target Group, the Target Company was incorporated in the BVI on 2 January 2013 and became the holding company of the Target Group. The companies that took part in the Reorganisation were controlled by Beijing Infrastructure Investment Co., Ltd. (the "Controlling Equity Holder") before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Target Group.

The Reorganisation only involved inserting a newly formed entity with no substantive operations as the new holding company of BII ERG, which was the Target Group's sole operating entity during the Track Record Period. Accordingly, the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in IFRS 3, *Business combinations*, with BII ERG as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of BII ERG with the assets and liabilities of BII ERG recognised and measured at their historical carrying amounts prior to the Reorganisation. The equity interests of equity holders other than the Controlling Equity Holder in the companies now comprising the Target Group have been presented as non-controlling interests in the Financial Information.

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

As at the date of this report, the Target Company had direct interests in the following subsidiary, which is a private company. The particulars of this subsidiary are set out below:

Name of subsidiary	Place and date of establishment	Particulars of registered and paid-up capital	Equity interests attributable to the Target Company Direct	Indirect	Principal activities
BII ERG 北京京投億雅捷交通科技有限公司*	The PRC 10 September 2009	RMB20,000,000	46%**	–	Transit system software and technology research and development; system integration; provision of technology transfer, training, consulting and services; and sale of developed products

* This company is a limited liability company established in the PRC. The English translation of the name of this entity is for reference only, the official name of this entity is in Chinese.

** Although the Target Company owns less than half of the voting rights of BII ERG, it is able to govern the financial and operating policies of BII ERG through the Target Company's power to cast the majority of votes at meetings of the board of directors of BII ERG, and control of BII ERG is by this board.

(c) Basis of measurement

The Financial Information is presented in RMB, rounded to the nearest thousand. It is prepared on the historical cost basis.

(d) Use of estimates and judgments

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

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

Judgements made by management in the application of IFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in Section B Note 2.

(e) Subsidiary and non-controlling interests

Subsidiary is an entity controlled by the Target Group. Control exists when the Target Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

An investment in a subsidiary is combined into the Combined 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 Combined 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.

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

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

(f) Fixed assets

Fixed assets are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see Section B Note 1(h)(ii)).

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

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

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

	Estimated useful lives
Office equipment	5 years
Electronic equipment	3 years

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

(g) Leased assets

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

(i) Classification of assets leased to the Target Group

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

(ii) Operating lease charges

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

(h) Impairment of assets

(i) Impairment of receivables

Receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

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

If any such evidence exists, the impairment loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows, discounted at the receivable's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these receivables), where the effect of discounting is material. This assessment is made collectively where these receivables share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for receivables which are assessed for impairment collectively are based on historical loss experience for receivables 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 the statement of profit or loss. A reversal of an impairment loss shall not result in the receivable's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior periods.

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

(ii) Impairment of fixed assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that fixed assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased.

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 the statement of 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 periods. Reversals of impairment losses are credited to the statement of profit or loss in the period in which the reversals are recognised.

(i) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Project contracts in progress

Project contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see Section B Note 1(q)(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 Target Group's contract activities based on normal operating capacity.

Project contracts in progress is presented as "Gross amount due from customers for contract work" within trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings. If progress billings exceed costs incurred plus recognised profits, then the difference is presented as "Receipts in advance from customers for contract work" within trade and other payables in the statement of financial position.

(k) Trade and other receivables

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

(l) 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.

(m) 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.

(n) Employee benefits

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

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

(ii) Termination benefits

Termination benefits are recognised when, and only when, the Target Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(o) Income tax

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

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

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

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

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from 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 investment in a subsidiary to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

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

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target 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 Target 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.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target 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.

(q) 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 Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the statement of profit or loss as follows:

(i) Contract revenue

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

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

(ii) Sale of goods

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

(iii) Interest income

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

(iv) Government grants

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

(r) Translation of foreign currencies

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

(s) Related parties

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

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

(ii) has significant influence over the Target Group; or

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

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

(i) The entity and the Target Group are members of the same group.

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

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

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

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

(t) 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 Target Group's most senior executive management for the purpose of allocating resources to, and assessing the performance of, the Target 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.

2 ACCOUNTING JUDGEMENTS AND ESTIMATES

Section B Note 17 contains information relating to fair value of financial instruments. Other key sources of estimation uncertainty are as follows:

(a) Revenue recognition

As explained in Section B Notes 1(j) and 1(q)(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 Target Group's recent experience and the nature of the service activity undertaken by the Target Group, the Target 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 Section B Note 12 will not include profit which the Target 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 each reporting period, which would affect the revenue and profit recognised in future periods as an adjustment to the amounts recorded to date.

(b) Impairment for receivables

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

3 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Target Group are design, development and sale of hardware and software in relation to application solutions for the networking and controlling systems of public transport and other companies.

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

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	**Years ended 30 June**		**Six months ended 31 December**	
	2010	**2011**	**2012**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of application solution related hardware and spare parts	1,632	61,626	16,158	9,640	113,085
Sales of application solution software	8,165	27,287	45,217	4,837	795
Revenue from the provision of design and implementation of application solution services	–	4,850	2,437	950	18,702
Revenue from the provision of maintenance of application solution services	1,800	1,800	–	–	–
	11,597	95,563	63,812	15,427	132,582

For the period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010, each of the years ended 30 June 2011 and 2012, and the six months ended 31 December 2011 (unaudited) and 2012, revenue from transactions with three, three, two, four (unaudited) and three customers, respectively, had exceeded 10% of the Target Group's revenue. Revenue from these customers amounted to RMB11,597,000, RMB87,923,000, RMB50,775,000, RMB12,434,000 (unaudited) and RMB90,882,000 for the period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010, each of the years ended 30 June 2011 and 2012, and the six months ended 31 December 2011 (unaudited) and 2012, respectively, and arose across all four segments mentioned in Section B Note 3(b) below.

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

(b) Segment reporting

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

– Hardware and spare parts: this segment sells application solution related hardware and spare parts.

– Software: this segment designs and sells application solution software.

– Design and implementation: this segment provides design and implementation of application solution services.

– Maintenance: this segment provides application solution maintenance services.

(i) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Target 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 during the Track Record Period. The Target Group's other income and expense items such as other revenue and selling, general and administrative expenses, 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 are presented.

Information regarding the Target Group's reportable segments as provided to the Target Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the Track Record Period is set out below.

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010			
	Hardware and spare parts	**Software**	**Maintenance**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	1,632	8,165	1,800	11,597
Reportable segment gross profit	1,102	3,747	1,150	5,999

	Year ended 30 June 2011				
	Hardware and spare parts	**Software**	**Design and implementation**	**Maintenance**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	61,626	27,287	4,850	1,800	95,563
Reportable segment gross profit	20,619	19,913	3,012	1,110	44,654

	Year ended 30 June 2012			
	Hardware and spare parts	**Software**	**Design and implementation**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	16,158	45,217	2,437	63,812
Reportable segment gross profit	4,220	19,099	1,888	25,207

	Six months ended 31 December 2011 (unaudited)			
	Hardware and spare parts	**Software**	**Design and implementation**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	9,640	4,837	950	15,427
Reportable segment gross profit	1,079	1,777	450	3,306

	Six months ended 31 December 2012			
	Hardware and spare parts	**Software**	**Design and implementation**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from external customers and reportable segment revenue	113,085	795	18,702	132,582
Reportable segment gross profit	5,731	–	10,144	15,875

(ii) Geographic information

The revenue of the Target Group are all derived from customers located in the PRC. The Target Group's non-current assets (ie. fixed assets) are all located in the PRC.

4 OTHER REVENUE

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010	**Years ended 30 June**		**Six months ended 31 December**	
		2011	**2012**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government grants	–	–	4,140	4,140	10
Interest income	21	142	140	89	182
	21	142	4,280	4,229	192

5 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Staff costs

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010	Years ended 30 June 2011	Years ended 30 June 2012	Six months ended 31 December 2011	Six months ended 31 December 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, wages and other benefits	5,549	13,865	15,503	7,921	12,253
Contributions to defined retirement plan	543	1,499	1,814	854	955
	6,092	15,364	17,317	8,775	13,208

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

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

(b) Other items

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June 2010	Years ended 30 June 2011	Years ended 30 June 2012	Six months ended 31 December 2011	Six months ended 31 December 2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Depreciation *(Section B Note 10)*	78	248	350	167	195
Cost of inventories *(Section B Note 11(b))*	530	39,938	14,233	10,147	114,118
Research and development costs (other than staff costs and depreciation)	1,387	1,535	860	528	1,265
Operating lease charges in respect of office premises *(Section B Note 18(a))*	1,092	2,028	2,752	1,363	1,388

6 INCOME TAX

(a) Income tax in the combined statements of profit or loss and other comprehensive income represent:

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	2011	2012	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Current taxation – PRC Corporate Income Tax *(Section B Note 15(a))*	–	1,058	1,343	–	303
Deferred taxation – origination and reversal of temporary differences *(Section B Note 15(b))*	–	–	–	(932)	(377)
	–	1,058	1,343	(932)	(74)

(b) Reconciliation between tax expenses and accounting (loss)/profit at applicable tax rates:

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	2011	2012	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
(Loss)/profits before taxation	(1,077)	26,876	9,596	(3,911)	(922)
Expected tax on (loss)/profit before taxation, calculated at the applicable tax rate of 25% *(Notes (i) and (ii))*	(269)	6,719	2,399	(978)	(231)
Tax effect of non-deductible expenses	16	181	1,323	148	84
Tax effect of non-taxable income	–	–	(1,035)	(1,035)	(3)
Tax concessions *(Note (iii))*	253	(5,842)	(1,344)	933	76
	–	1,058	1,343	(932)	(74)

Notes:

(i) The Target Company is not subject to any income tax pursuant to the rules and regulations of the BVI.

(ii) BII ERG is subject to PRC Corporate Income Tax rate of 25% during the Track Record Period.

(iii) BII ERG has obtained approval from the tax bureau to be taxed as a software development enterprise in the PRC, and according to the relevant income tax rules and regulations, BII ERG is entitled to a 100% relief from PRC Corporate Income Tax for the calendar years from 2009 to 2010 and 50% relief for the calendar years from 2011 to 2013.

7 DIRECTOR'S REMUNERATION

The sole director of the Target Company, Ms Xuan Jing, did not receive any remuneration from the Target Group during the Track Record Period.

There was no amount paid during the Track Record Period to the director in connection with the director's retirement from employment or compensation for loss of office with the Target Group, or inducement to join. There was no arrangement under which the director waived or agreed to waive any remuneration during the Track Record Period.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments for the Track Record Period, none of them is a director whose emoluments are disclosed in Section B Note 7. The aggregate of the emoluments in respect of the these individuals are as follows:

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	**Years ended 30 June**		**Six months ended 31 December**	
	2010	**2011**	**2012**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Salaries, allowances and benefits in kind	763	1,572	1,830	967	808
Discretionary bonuses	–	517	163	–	–
Retirement scheme contributions	63	136	155	76	81
	826	2,225	2,148	1,043	889

The emoluments of the individuals with the highest emoluments who are not director and who are amongst the five highest paid individuals of the Target Group are within the following band:

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	**Years ended 30 June**		**Six months ended 31 December**	
	2010	**2011**	**2012**	**2011** *(unaudited)*	**2012**
HK$Nil – HK$1,000,000	5	5	5	5	5

9 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 has not been completed as at 31 December 2012 and the preparation of the results of the Target Group for the Track Record Period was on a combined basis.

10 FIXED ASSETS

	Office equipment	Electronic equipment	Total
	RMB'000	*RMB'000*	*RMB'000*
Cost:			
At 10 September 2009 (date of establishment of BII ERG)	–	–	–
Additions	46	535	581
At 30 June 2010	46	535	581
Accumulated depreciation:			
At 10 September 2009 (date of establishment of BII ERG)	–	–	–
Charge for the period	(3)	(75)	(78)
At 30 June 2010	(3)	(75)	(78)
Net book value:			
At 30 June 2010	43	460	503
Cost:			
At 1 July 2010	46	535	581
Additions	122	387	509
At 30 June 2011	168	922	1,090
Accumulated depreciation:			
At 1 July 2010	(3)	(75)	(78)
Charge for the year	(16)	(232)	(248)
At 30 June 2011	(19)	(307)	(326)
Net book value:			
At 30 June 2011	149	615	764
Cost:			
At 1 July 2011	168	922	1,090
Additions	58	205	263
Disposals	(11)	(22)	(33)
At 30 June 2012	215	1,105	1,320
Accumulated depreciation:			
At 1 July 2011	(19)	(307)	(326)
Charge for the year	(25)	(325)	(350)
Written back on disposals	1	14	15
At 30 June 2012	(43)	(618)	(661)
Net book value:			
At 30 June 2012	172	487	659
Cost:			
At 1 July 2012	215	1,105	1,320
Additions	21	122	143
Disposals	–	(12)	(12)
At 31 December 2012	236	1,215	1,451
Accumulated depreciation:			
At 1 July 2012	(43)	(618)	(661)
Charge for the period	(14)	(181)	(195)
Written back on disposals	–	8	8
At 31 December 2012	(57)	(791)	(848)
Net book value:			
At 31 December 2012	179	424	603

11 INVENTORIES

(a) Inventories in the combined statements of financial position comprise:

	At 30 June			At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Hardware and spare parts	5,420	251	9,788	28,767
Work in progress	384	1,149	–	–
	5,804	1,400	9,788	28,767

(b) The analysis of the amount of inventories recognised as an expense and included in the combined statements of profit or loss and other comprehensive income during the Track Record Period is as follows:

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	**2011**	**2012**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Carrying amount of inventories sold	530	39,938	14,233	10,147	114,118

12 TRADE AND OTHER RECEIVABLES

	At 30 June			At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables due from *(Section B Notes 12(a) and 12(b))*:				
– third parties	–	15,640	10,766	65,834
– a subsidiary of the Company	–	1,800	42,077	84,444
– an affiliate of the non-controlling interests of BII ERG other than the Company	9,552	22,417	13,242	13,710
	9,552	39,857	66,085	163,988
Gross amount due from customers for contract work *(Section B Note 12(c))*:				
– a subsidiary of the Company	–	4,850	1,937	122
Deposits, prepayments and other receivables	11,417	4,153	20,528	32,267
	20,969	48,860	88,550	196,377

All of the trade and other receivables are expected to be settled or recognised as expenses within one year.

(a) Ageing analysis

At 30 June 2010, 2011 and 2012 and 31 December 2012, the ageing analysis of trade receivables, based on the invoice date, is as follows:

	At 30 June			At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 month	9,552	30,987	40,412	98,266
More than 1 month but less than 3 months	–	–	74	6,057
More than 3 months but less than 6 months	–	–	–	10,930
More than 6 months	–	8,870	25,599	48,735
	9,552	39,857	66,085	163,988

The Target Group's credit policy is set out in Section B Note 17(a).

(b) Trade receivables that are not impaired

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

	At 30 June			At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Less than 1 month past due	9,552	30,987	40,412	98,266
1 to 3 months past due	–	–	74	6,057
3 to 6 months past due	–	–	–	10,930
More than 6 months past due	–	8,870	25,599	48,735
	9,552	39,857	66,085	163,988

Given the nature of the Target Group's business, all receivables are considered past due once billings have been made by the Target 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 Target Group does not hold any collateral over these balances.

(c) Project contracts in progress

At 30 June 2010, 2011 and 2012 and 31 December 2012, the aggregate amounts of costs incurred plus recognised profits less recognised losses to date, included in the gross amount due from customers for contract work, were RMBNil, RMB4,850,000, RMB1,937,000 and RMB722,000, respectively.

13 CASH AND CASH EQUIVALENTS

		At 30 June		At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash at bank and on hand	3,137	14,195	38,636	31,455

The operations of BII ERG are conducted in RMB. RMB is not a freely convertible currency and the remittance of RMB out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

14 TRADE AND OTHER PAYABLES

		At 30 June		At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables due to *(Section B Note 14(a))*:				
– third parties	5,250	8,179	28,328	95,418
– subsidiaries of the Company	964	–	–	795
Bills payables	–	–	6,183	23,204
	6,214	8,179	34,511	119,417
Amounts due to related companies *(Section B Note 14(b))*:				
– an affiliate of the Controlling Equity Holder	692	2,720	4,115	5,503
– a subsidiary of the Company	–	–	–	4,989
	692	2,720	4,115	10,492
Distributions payable to equity holders of BII ERG	–	9,574	4,404	4,404
Other taxes payables	690	5,374	2,331	10,311
Other creditors and accrued charges	1,948	4,117	10,388	11,365
	2,638	19,065	17,123	26,080
Financial liabilities measured at amortised cost	9,544	29,964	55,749	155,989
Receipts in advance from customers for contract work	2,013	1,756	37,356	57,498
	11,557	31,720	93,105	213,487

All of the trade and other payables are expected to be repayable 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, at 30 June 2010, 2011 and 2012 and 31 December 2012:

	At 30 June			At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Due within 1 month or on demand	6,214	8,179	28,328	115,047
Due after 1 month but within 3 months	–	–	6,183	3,908
Due after 3 months but within 6 months	–	–	–	462
	6,214	8,179	34,511	119,417

(b) Amounts due to related companies

The amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

15 INCOME TAX IN THE COMBINED STATEMENTS OF FINANCIAL POSITION

(a) Movements of current taxation in the combined statements of financial position are as follows:

	At 30 June			At 31 December
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Income tax (prepaid)/payable at the beginning of the period/year	–	–	(1,601)	1,175
Charge for the period/year *(Section B Note 6(a))*	–	1,058	1,343	303
Income tax (paid)/refunded during the period/year	–	(2,659)	1,433	109
Income tax (prepaid)/payable at the end of the period/year	–	(1,601)	1,175	1,587

(b) Deferred tax assets recognised:

The component of deferred tax assets recognised in the combined statements of financial position and the movements during the Track Record Period are as follows:

	At 31 December
	2012
	RMB'000
Deferred tax arising from unused tax losses:	
At the beginning of the period	–
Credited to the combined statements of profit or loss and other comprehensive income *(Section B Note 6(a))*	377
At the end of the period	377

(c) Deferred tax liabilities not recognised

At 30 June 2010, 2011 and 2012 and 31 December 2012, temporary differences relating to the undistributed profits of BII ERG amounted to RMBNil, RMB5,758,000, RMB9,175,000 and RMB8,785,000, respectively. Deferred tax liabilities of RMBNil, RMB576,000, RMB918,000 and RMB879,000, respectively, have not been recognised in respect of the tax that would be payable on the distribution of these retained profits as neither the director of the Target Company nor the directors of the Company expects the profits will be distributed in the foreseeable future.

16 CAPITAL, RESERVES AND DISTRIBUTIONS/DIVIDENDS

(a) Distributions

Distributions to the equity holders of BII ERG during the Track Record Period are set out below:

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	**2011**	**2012**	**2011**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (*unaudited*)	*RMB'000*
Distributions	67	9,574	–	–	–

(b) Paid-in capital

For the purpose of this Financial Information, the paid-in capital of the Target Group at 10 September 2009, 30 June 2010, 2011 and 2012 and 31 December 2012 represented the paid-in capital of BII ERG.

(c) Statutory reserves

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

(d) Distributable reserves

The Target Company was incorporated on 2 January 2013 and has not carried on any business since the date of its incorporation save for the Reorganisation. Accordingly, there is no reserve available for distribution to the equity shareholder of the Target Company as at 31 December 2012.

Upon completion of the acquisition of the Target Company by the Company, the payment of any future dividends will be determined by the directors of the Company. These dividends, if any, will depend upon the future earnings, capital requirements, and financial conditions and general business conditions of the Company and its existing subsidiaries and the Target Group as a whole.

(e) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for equity holders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Target Group monitors its capital structure on the basis of an adjusted debt-to-capital ratio. For this purpose, the Target Group defines adjusted debt as trade and bills payables plus unaccrued distributions less cash and cash equivalents. Adjusted capital comprises all components of equity less unaccrued distributions.

During the Track Record Period, the Target Group's strategy was to maintain the adjusted net debt-to-capital ratio at an acceptable level. In order to maintain or adjust the ratio, the Target Group may adjust the amount of distributions/dividends paid to equity shareholders, raise additional capital contributions, return capital to equity shareholders, raise new debt financing or sell assets to reduce debt.

		At 30 June		**At 31 December**
	2010	**2011**	**2012**	**2012**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade and bills payables	6,214	8,179	34,511	119,417
Add: unaccrued distributions	–	–	–	3,153
Less: cash and cash equivalents	(3,137)	(14,195)	(38,636)	(31,455)
Adjusted debt/(assets)	3,077	(6,016)	(4,125)	91,115
Total equity	18,856	35,100	43,353	42,505
Less: unaccrued distributions	–	–	–	(3,153)
Adjusted capital	18,856	35,100	43,353	39,352
Adjusted debt-to-capital ratio	16%	N/A	N/A	232%

The Target Group is not subject to externally imposed capital requirements.

17 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

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

(a) Credit risk

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

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

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Target Group has significant exposure to individual customers. At 30 June 2010, 2011 and 2012 and 31 December 2012, 100%, 50%, 65% and 52% of the trade receivables were due from the Target Group's largest debtor, and 100%, 100%, 100% and 86% of the trade receivables were due from the Target Group's five largest debtors, respectively.

The Target Group does not provide any guarantees which would expose the Target Group to credit risk.

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

(b) Liquidity risk

The Target Group is responsible for its own cash management and the raising of borrowings to cover expected cash demands. The Target 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 30 June 2010, 2011 and 2012 and 31 December 2012 of the Target Group's financial liabilities which are based on contractual undiscounted cash flows and the earliest dates the Target Group can be required to pay:

	Contractual undiscounted cash outflow within 1 year or on demand	**Carrying amount**
	RMB'000	*RMB'000*
At 30 June 2010		
Trade and other payables measured at amortised cost	9,544	9,544
At 30 June 2011		
Trade and other payables measured at amortised cost	29,964	29,964
At 30 June 2012		
Trade and other payables measured at amortised cost	55,749	55,749
At 31 December 2012		
Trade and other payables measured at amortised cost	155,989	155,989

(c) Interest rate risk

The Target Group is not exposed to significant interest rate risk, as the Target Group does not have any interest bearing borrowings at 30 June 2010, 2011 and 2012 and 31 December 2012.

(d) Foreign currency exchange risk

The Target Group is not exposed to significant currency risk during the Track Record Period, as no transactions are conducted in a foreign currency other than the functional currency of the operations to which the transactions relate.

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

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values at 30 June 2010, 2011 and 2012 and 31 December 2012.

18 MATERIAL RELATED PARTY TRANSACTIONS

In addition to the balances disclosed elsewhere in the Financial Information, the material related party transactions entered into by the Target Group during the Track Record Period are set out below.

(a) Transactions with an affiliate of the Controlling Equity Holder

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	2011	2012	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Operating lease expenses	1,092	2,028	2,752	1,363	1,388

(b) Transactions with subsidiaries of the Company

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	2011	2012	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of application solution related hardware and spare parts	–	–	–	–	51,532
Sales of application solution software	–	–	40,380	–	–
Revenue from the provision of design and implementation of application solution services	–	4,850	1,937	450	885
Revenue from the provision of maintenance of application solution services	1,800	1,800	–	–	–
Purchase of software	–	–	–	–	795
Net increase in advances received	–	–	–	–	4,989
Service fee expenses	964	–	–	–	–

(c) Transactions with an affiliate of the non-controlling interests of BII ERG other than the Company

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	2011	2012	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Sales of application solution related hardware and spare parts	–	35,778	–	–	11,270
Sales of application solution software	8,165	27,287	4,837	4,837	–

(d) Expected continuing connected transactions after the Company's acquisition of the Target Group

The directors of the Company expect the related party transactions in respect of operating lease entered into with an affiliate of the Controlling Equity Holder and the sales of application solution related hardware and spare parts and software to an affiliate of the non-controlling interests of BII ERG other than the Company as stated above to continue after the acquisition of the Target Group, and will constitute as continuing connected transactions as defined in Chapter 20 of the GEM Listing Rules.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Target Group, including amounts paid to the Target Company's director as disclosed in Section B Note 7 and certain of the highest paid employees as disclosed in Section B Note 8, is as follows:

	Period from 10 September 2009 (date of establishment of BII ERG) to 30 June	Years ended 30 June		Six months ended 31 December	
	2010	2011	2012	2011	2012
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* *(unaudited)*	*RMB'000*
Short-term employee benefits	787	2,888	3,474	1,618	1,245
Retirement scheme contributions	65	195	298	136	149
	852	3,083	3,772	1,754	1,394

19 IMMEDIATE AND ULTIMATE HOLDING COMPANY

For the purpose of the Financial Information, the director of the Target Company considers the immediate holding company of the Target Company to be Beijing Infrastructure Investment (Hong Kong) Limited, a company incorporated in Hong Kong, and the ultimate holding company of the Target Company to be Beijing Infrastructure Investment Co., Ltd., a company established in the PRC. These entities do not produce financial statements available for public use.

20 POSSIBLE IMPACT OF NEW STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING 1 JULY 2012

Up to the date of issue of the Financial Information, the IASB has issued a number of new standards, amendments to standards and interpretations which are not yet effective for the accounting period beginning 1 July 2012 and which have not been adopted in the Financial Information.

	Effective for accounting periods beginning on or after
IFRS 10, *Consolidated financial statements*	1 January 2013
IFRS 12, *Disclosure of interests in other entities*	1 January 2013
IFRS 13, *Fair value measurement*	1 January 2013
IAS 27, *Separate financial statements* (2011)	1 January 2013
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Government loans*	1 January 2013
Amendments to IFRS 7, *Financial instruments: Disclosures – Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to IFRS 10, *Consolidated financial statements*, IFRS 11, *Joint arrangements*, and IFRS 12, *Disclosure of interests in other entities – Transition guidance*	1 January 2013
Annual Improvements to IFRSs – 2009-2011 Cycle	1 January 2013
Amendments to IFRS 10, IFRS 12 and IAS 27, *Investment entities*	1 January 2014
Amendments to IAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
IFRS 9, *Financial instruments*	1 January 2015
Amendments to IFRS 9, *Financial instruments*, and IFRS 7, *Financial instruments: Disclosures – Mandatory effective date and transition disclosures*	1 January 2015

The Target Group is in the process of making an assessment of what the impact of the new standards, amendments to standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Financial Information except for the following:

IFRS 10, Consolidated financial statements

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

As described in Section B Note 1(b), the Reorganisation has been accounted for using a principle similar to that for a reverse acquisition as set out in IFRS 3, *Business combinations*, with BII ERG as the acquirer for accounting purposes. The Financial Information has been prepared and presented as a continuation of the financial statements of BII ERG with the assets and liabilities of BII ERG recognised and measured at their historical carrying amounts prior to the Reorganisation. The application of IFRS 10 is not expected to change any of the control conclusions reached by the Target Group in respect of its involvement with other entities when the standard is adopted for the first time for the accounting period beginning 1 July 2013. However, it may in the future result in investees being consolidated which would not have been consolidated under the Target Group's existing policies or vice versa.

IFRS 12, Disclosure of interests in other entities

IFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required in IFRS 12 are generally more extensive than those required in the current standards. The Target Group may have to make additional disclosures about its interests in other entities when the standard is adopted for the first time for the accounting period beginning 1 July 2013.

IFRS 13, Fair value measurement

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

21 STATUTORY AUDIT

The financial statements of the companies comprising the Target Group which are subject to audit during the Track Record Period were audited by the following auditors:

Name of company	**Financial period/year**	**Statutory auditors** *(Notes (i) and (ii))*
BII ERG	Period from 10 September 2009 (date of establishment) to 31 December 2009	Beijing Zhongpingjian Huahao Certified Public Accountants Co., Ltd. 北京中平建華浩會計師事務所
	Year ended 31 December 2010	Grant Thornton Certified Public Accountants (Special General Partnership) (formerly known as "Grant Thornton Certified Public Accountants Co., Ltd.") ("Grant Thornton") 致同會計師事務所(特殊普通合夥) (原名"京都天華會計師事務所有限公司")
	Years ended 31 December 2011 and 2012	Grant Thornton

Notes:

(i) The English translation of the names are for reference only. The official names of these entities are in Chinese.

(ii) The firms are certified public accountants registered in the PRC.

C SUBSEQUENT EVENTS

1 Completion of the Reorganisation

On 10 April 2013, the Target Group has completed the Reorganisation so as to rationalise the Target Group's structure in preparation for the Company's acquisition of the Target Group. Accordingly, the Target Company became the holding company of the companies now comprising the Target Group.

2 Distributions declared by BII ERG

On 20 March 2013, the directors of BII ERG declared the distributions of RMB3,153,000 in respect of the year ended 31 December 2012. These distributions have not been recognised as liabilities at 31 December 2012.

D STATEMENT OF FINANCIAL POSITION OF THE TARGET COMPANY

The Target Company was incorporated in the BVI on 2 January 2013 with an authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. The Target Company issued 1 share to Beijing Infrastructure Investment (Hong Kong) Limited on 2 January 2013, and the share has been fully paid up. The Target Company has not carried out any business since the date of its incorporation, save for the Reorganisation.

E SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or its subsidiary now comprising the Target Group in respect of any period subsequent to 31 December 2012. Details of distributions declared by companies now comprising the Target Group subsequent to 31 December 2012 are disclosed in Section C Note 2.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

A UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following unaudited pro forma financial information of the Enlarged Group, comprising the unaudited pro forma consolidated statement of financial position at 31 December 2012, prepared in accordance with Rule 7.31 and Rule 19.67(6)(a)(ii) of the GEM Listing Rules is for illustrative purposes only, and is set forth here to illustrate the effect of the Acquisition on the consolidated statement of financial position of the Enlarged Group at 31 December 2012 as if the Acquisition had taken place on 31 December 2012.

The unaudited pro forma financial information has been prepared using accounting policies consistent with that of the Group and based on the unaudited consolidated statement of financial position of the Group at 31 December 2012 as extracted from the Group's published interim financial report for the six months ended 31 December 2012 as mentioned in the "Financial information of the Group" in Appendix I to this Circular, the combined statement of financial position of the Target Group at 31 December 2012 as extracted from the "Accountants' Report of the Target Group" in Appendix II to this Circular, after making certain pro forma adjustments as described below. A narrative description of the pro forma adjustments of the Acquisition that are (i) directly attributable to the transactions concerned and not relating to future events or decisions; and (ii) factually supportable, is summarised in the notes below.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is based on a number of assumptions, estimates, uncertainties and currently available information. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group does not purport to describe the actual financial position of the Enlarged Group that would have been attained had the Acquisition been completed on 31 December 2012 or any future date. Furthermore, the accompanying unaudited pro forma consolidated statement of financial position of the Enlarged Group does not purport to give a true picture of the financial position of the Enlarged Group or predict the future financial position of the Enlarged Group.

The unaudited pro forma financial information should be read in conjunction with the "Financial information of the Group" set forth in Appendix I to this Circular, the accountants' report of the Target Group set forth in Appendix II to this Circular, the "Management Discussion and Analysis on the Target Group" set forth in the section headed "Letter from the Board" of this Circular and other information included elsewhere of this Circular.

1 UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	Unaudited consolidated statement of financial position of the Group at 31 December 2012	Combined statement of financial position of the Target Group at 31 December 2012	Sub-total	Pro forma adjustments		Unaudited pro forma consolidated statement of financial position of the Enlarged Group
	HK$'000	*HK$'000* *Note 2(a)*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets						
Property, plant and equipment	1,202	743	1,945	–	–	1,945
Intangible assets	35,492	–	35,492	18,426[Note 2(b)(ii)]	–	53,918
Goodwill	–	–	–	70,123[Note 2(b)(iii)]	–	70,123
Interest in an associate	23,063	–	23,063	(23,063)[Note 2(b)(i)]	–	–
Deferred tax assets	3,595	465	4,060	–	–	4,060
	63,352	1,208	64,560	65,486	–	130,046
Current assets						
Inventories	32,255	35,475	67,730	–	–	67,730
Trade and other receivables	215,361	242,172	457,533	–	(111,415)[Note 2(c)]	346,118
Cash and cash equivalents	233,759	38,790	272,549	–	–	272,549
	481,375	316,437	797,812	–	(111,415)	686,397
Current liabilities						
Trade and other payables	175,930	263,272	439,202	1,850[Note 2(b)(vi)]	(111,415)[Note 2(c)]	329,637
Current taxation	23,820	1,957	25,777	–	–	25,777
	199,750	265,229	464,979	1,850	(111,415)	355,414
Net current assets	281,625	51,208	332,833	(1,850)	–	330,983
Total assets less current liabilities	344,977	52,416	397,393	63,636	–	461,029
Non-current liabilities						
Deferred tax liabilities	–	–	–	4,606[Note 2(b)(ii)]	–	4,606
NET ASSETS	**344,977**	**52,416**	**397,393**	**59,030**	**–**	**456,423**
CAPITAL AND RESERVES						
Share/paid-in capital	8,000	22,722	30,722	(21,180)[Note 2(b)(iv)]	–	9,542
Reserves	336,977	1,389	338,366	103,125[Note 2(b)(iv)]	–	441,491
Total equity attributable to equity shareholders of the Company	344,977	24,111	369,088	81,945	–	451,033
Non-controlling interests	–	28,305	28,305	(22,915)[Note 2(b)(v)]	–	5,390
TOTAL EQUITY	**344,977**	**52,416**	**397,393**	**59,030**	**–**	**456,423**

2 NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(a) The combined statement of financial position of the Target Group

The combined statement of financial position of the Target Group at 31 December 2012, as set out in Appendix II to this Circular, is presented in RMB, rounded to the nearest thousand. In preparing the unaudited pro forma financial information of the Enlarged Group, the amounts disclosed in the combined statement of financial position of the Target Group have been translated using the foreign exchange rate of RMB1: HK$1.2332, representing the foreign exchange rate published by the People's Bank of China at 31 December 2012, except for paid-in capital which is translated at historical foreign exchange rate as follows:

	As disclosed in Appendix II *RMB'000*	*HK$'000*
Non-current assets		
Fixed assets	603	743
Deferred tax assets	377	465
	980	1,208
Current assets		
Inventories	28,767	35,475
Trade and other receivables	196,377	242,172
Cash and cash equivalents	31,455	38,790
	256,599	316,437
Current liabilities		
Trade and other payables	213,487	263,272
Current taxation	1,587	1,957
	215,074	265,229
Net current assets	41,525	51,208
NET ASSETS	42,505	52,416
CAPITAL AND RESERVES		
Paid-in capital	20,000	22,722
Reserves	(448)	1,389
Total equity attributable to equity shareholder of the Target Company	19,552	24,111
Non-controlling interests	22,953	28,305
TOTAL EQUITY	42,505	52,416

(b) Acquisition of 100% equity interests in the Target Company

As described in the section headed "Letter from the Board" of this Circular, the Company, through an indirect wholly owned subsidiary, has entered into the Acquisition Agreement with BII HK to acquire its 100% equity interests in the Target Company, which in turn holds the 46% equity interests in BII ERG, for a consideration of HK$107,934,465.80 to be satisfied by the issuance of 154,192,094 ordinary shares in the Company. Prior to the completion of the Acquisition, the Company owns 44% equity interests in BII ERG, whereas BII ERG is regarded as an associate of the Company. Upon completion of the Acquisition, the Company will indirectly hold 100% equity interests in the Target Company and 90% equity interests in BII ERG.

The Acquisition constitute a business combination achieved in stages as defined in International Financial Reporting Standard 3 ("IFRS 3"), *Business combinations*, issued by the International Accounting Standards Board. Accordingly, upon completion of the Acquisition, it will be accounted for using the acquisition method, where the Group should:

– remeasure the previously held 44% equity interests in BII ERG at its acquisition date fair value and recognise the resulting gain or loss, as if the previously held equity interests is sold and subsequently repurchased at the acquisition date.

– recognise and measure the identifiable assets acquired and the liabilities assumed at their respective fair values at acquisition date.

– recognise and measure goodwill, if any, being the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in BII ERG and the fair value of the Group's previously held equity interests in BII ERG, over the net fair value of BII ERG's identified assets and liabilities measured at acquisition date.

Details of the Acquisition are set out below:

The fair value of assets acquired and liabilities assumed on 31 December 2012	**Pre-acquisition carrying amounts**	**Fair value adjustments**	**Recognised values on the Acquisition**
	HK$'000	*HK$'000*	*HK$'000*
Fixed assets	743	–	743
Intangible assets *(Notes 2(b)(ii) and 2(b)(iii))*	–	18,426	18,426
Deferred tax assets	465	–	465
Inventories	35,475	–	35,475
Trade and other receivables	242,172	–	242,172
Cash and cash equivalents	38,790	–	38,790
Trade and other payables	(263,272)	–	(263,272)
Current taxation	(1,957)	–	(1,957)
Deferred tax liabilities *(Note 2(b)(ii))*	–	(4,606)	(4,606)
Net fair value of the identifiable assets acquired and liabilities assumed	52,416	13,820	66,236
Fair value of the ordinary shares in the Company to be issued as consideration *(Note 2(b)(iv))*			107,253
Fair value of non-controlling interests			5,390
Fair value of the previously held 44% equity interests in BII ERG *(Note 2(b)(i))*			23,716
Total consideration			136,359
Less: net fair value of the identifiable assets acquired and liabilities assumed			(66,236)
Goodwill *(Note 2(b)(iii))*			70,123

The pro forma adjustments reflect the following:

(i) The decrease in interest in an associate of HK$23,063,000, representing the disposal of the 44% equity interests in BII ERG previously held by the Group upon the Acquisition. The fair value of the 44% equity interests in BII ERG is HK$23,716,000, which is determined by the directors of the Company with reference to the valuation report issued by Cushman & Wakefield (HK) Ltd., an independent valuer, on 28 May 2013, where the basis of valuation is the discounted cash flow model, after taking into account of minority discount. The valuation uses cash flow projections based on financial projection approved by the director of the Target Company covering a ten-year period. The projected cash flows are discounted using a discount rate of 16%. Accordingly, a gain on disposal of the 44% equity interests in BII ERG of HK$653,000 will be recognised (see Note 2(b)(iv)).

(ii) The increase of intangible assets of HK$18,426,000, representing the fair value of the patented software owned by BII ERG. The fair value of the patented software is determined by the directors of the Company with reference to the valuation report issued by Cushman & Wakefield (HK) Ltd., an independent valuer, on 28 May 2013, where the basis of valuation is the multi-period excess earnings method, which is one of the methods under the income approach. The valuation uses cash flow projections based on financial projection approved by the director of the Target Company covering a ten-year period. The projected cash flows are discounted using a discount rate of 18%. In addition, deferred tax liabilities of HK$4,606,000 are also recognised, representing the related tax liabilities on the fair value adjustment on the intangible assets and are calculated at the applicable PRC Corporate Income Tax rate of BII ERG of 25%.

(iii) The recognition of goodwill of HK$70,123,000 arising from the Acquisition of the Target Group.

The actual fair value of the identifiable assets and liabilities of the Target Group at the actual date of completion may be different from the estimated fair value used in the preparation of the unaudited pro forma financial information. Accordingly, the actual amount of goodwill may be different from the amount as adopted in the unaudited pro forma financial information.

For the purpose of the unaudited pro forma financial information of the Enlarged Group, the directors of the Company have assessed whether there is any impairment in respect of goodwill and intangible assets arise from the Acquisition in accordance with International Accounting Standard 36, *Impairment of Assets*, which is consistent with the accounting policies adopted by the Group. Based on their assessments, the directors of the Company consider that there is no impairment in connection with the goodwill and intangible assets arise from the Acquisition.

(iv) The fair value of the ordinary shares in the Company to be issued as consideration of the Acquisition is HK$107,253,000, which is determined based on the number of shares to be issued at the closing price of the Company's shares on the Stock Exchange on 13 May 2013 of HK$0.84, after taking into account the effect of marketability discount of 17%, measured with reference to put option value using the Black-Scholes option pricing model, for the lock-up period of these shares. For the purpose of this unaudited pro forma financial information, the consideration adjustment mentioned in the "Letter from the Board" is regarded to be HK$Nil, as both the directors of the Company and the director of the Target Company considered the Target Profits as stipulated in the Acquisition Agreement could be achieved.

The decrease of share capital by HK$21,180,000, representing the net effect of the par value of HK$1,542,000 of the 154,192,094 ordinary shares in the Company to be issued as the consideration of the Acquisition less the elimination of the paid-in capital of the Target Group of HK$22,722,000 upon consolidation of the Group and the Target Group. The increase in the Group's reserves of approximately HK$103,125,000, representing the portion of the fair value in excess of the par value of the ordinary shares to be issued of HK$105,711,000, plus the gain on disposal of the previously held 44% equity interests in BII ERG of HK$653,000 (see Note 2(b)(i)), less HK$1,850,000 of transaction costs to be incurred for the Acquisition, and less the elimination of the reserves of the Target Group of HK$1,389,000.

(v) The decrease in non-controlling interests of HK$22,915,000, representing the derecognition of the 54% equity interests in BII ERG not owned by the Target Company and the recognition of the 10% non-controlling interests not owned by the Enlarged Group upon completion of the Acquisition. The fair value of the 10% non-controlling interests was estimated by the directors of the Company with reference to the fair value of the 44% equity interests in BII ERG previously held by the Group as mentioned in Note 2(b)(i).

(vi) The increase in other payables of HK$1,850,000, representing the payables on the estimated transaction costs to be incurred on the Acquisition.

The actual amounts of the above adjustments will be determined on the completion date of the Acquisition, which may be different from the amounts presented in this Appendix III.

(c) Elimination of intra-group balances

The adjustments represent the elimination of the Group's intra-group receivables and payables with BII ERG upon consolidation of the Group and the Target Group.

B ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group, received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

7 June 2013

The Directors
China City Railway Transportation Technology Holdings Company Limited

Dear Sirs,

We report on the unaudited pro forma financial information (the "Pro Forma Financial Information") of China City Railway Transportation Technology Holdings Company Limited (the "Company") and its subsidiaries (the "Group") set out in Section A of Appendix III to the shareholders' circular of the Company dated 7 June 2013 (the "Circular"), which has been prepared by the directors of the Company solely for illustrative purposes to provide information about how the proposed acquisitions of the 100% equity interests in Innovation Holding Co., Ltd. and its subsidiary might have affected the financial information presented. The basis of preparation of the unaudited Pro Forma Financial Information is set out in Section A of Appendix III of the Circular.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements ("HKSIR") 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited Pro Forma Financial Information with the directors of the Company. The engagement did not involve independent examination of any of the underlying financial information.

Our work did not constitute an audit or review performed in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we do not express any such audit or review assurance on the unaudited Pro Forma Financial Information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Company and that the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

The unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, it does not provide any assurance or indication that any event will take place in the future and may not be indicative of the financial position of the Group at 31 December 2012 or any future date.

OPINION

In our opinion:

(a) the unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited Pro Forma Financial Information as disclosed pursuant to Paragraph 7.31(1) of the GEM Listing Rules.

Yours faithfully,
KPMG
Certified Public Accountants
Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement herein or in this circular misleading.

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, 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 SFO) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange were as follows:

Name of Director	**The Company/ name of associated corporation**	**Capacity**	**Interest in shares** *(Note 1)*	**Interest in underlying shares of share options** *(Note 1)*	**Approximate percentage of issued share capital of the Company/ associated corporation**
Mr. Cao Wei ("**Mr. Cao**")	The Company	Interest in a controlled corporation/Interest of concert parties *(Notes 1 and 2)*	481,267,527 Shares	–	60.16%
	The Company	Beneficial owner		800,000 Shares (L) *(Note 3)*	0.1%
Mr. Chen Rui ("**Mr. Chen**")	The Company	Interest in a controlled corporation/Interest of concert parties *(Notes 1 and 4)*	481,267,527 Shares	–	60.16%
	The Company	Beneficial owner	–	800,000 Shares (L) *(Note 3)*	0.1%

Name of Director	**The Company/ name of associated corporation**	**Capacity**	**Interest in shares** *(Note 1)*	**Interest in underlying shares of share options** *(Note 1)*	**Approximate percentage of issued share capital of the Company/ associated corporation**
Mr. Steven Bruce Gallagher ("**Mr. Gallagher**")	The Company	Beneficial owner	–	800,000 Shares (L) *(Note 3)*	0.1%

Notes:

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

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

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

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

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

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to, or can be ascertained after reasonable enquiry by, the Directors, the persons (not being a Director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Share were as follows:

Name of Person	Capacity	Number of Shares *(Note 1)*	Approximate percentage of interest
More Legend	Beneficial owner/Interest of concert parties *(Notes 1 & 2)*	481,267,527 Shares (L)	60.16%
Vix East Asia	Beneficial owner/Interest of concert parties *(Notes 2 & 3)*	481,267,527 Shares (L)	60.16%
Landcity	Beneficial owner/Interest of concert parties *(Notes 2 & 4)*	481,267,527 Shares (L)	60.16%
Sino Choice Trust	Interest in a controlled corporation/Interest of concert parties *(Note 5)*	481,267,527 Shares (L)	60.16%
Vix Holdings Limited ("**Vix Holdings**")	Interest in a controlled corporation/Interest of concert parties *(Note 6)*	481,267,527 Shares (L)	60.16%
Ms. Wang Jiangping ("**Ms. Wang**")	Interest of spouse *(Note 7)*	482,067,527 Shares (L)	60.26%
Ms. Jiang Wenjun ("**Ms. Jiang**")	Interest of spouse *(Note 8)*	482,067,527 Shares (L)	60.26%
BII HK	Beneficial owner *(Note 9)*	79,584,969 Shares (L)	9.95%

Name of Person	Capacity	Number of Shares *(Note 1)*	Approximate percentage of interest
BII	Interest of controlled corporation *(Notes 10)*	79,584,969 Shares (L)	9.95%

Notes:

1. More Legend is the legal and beneficial owner of approximately 33.69% 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 ERG Greater China BVI and 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 18.05% 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 8.42% of the entire issued share capital of the Company. Mr. Chen is a director of Landcity Limited.

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 herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of Share.

4. SERVICE AGREEMENTS

As at the Latest Practicable Date, none of the Directors has entered into or proposed to enter into a service contract with any member of the Enlarged Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 30 June 2012, being the date to which the latest published audited financial statements of the Group were made up.

6. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, controlling Shareholder, Guotai Junan Capital Limited ("**Guotai Junan**"), the compliance adviser of the Company, or their respective associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group.

7. INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group subsisting at the Latest Practicable Date, and which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been since 30 June 2012, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

8. QUALIFICATION AND CONSENT OF EXPERT

Name	Qualification
KPMG	Certified Public Accountants

KPMG has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its opinions or letters and/or reference to its name and its letter in the form and context in which it appears.

As at the Latest Practicable Date, KPMG did not have any shareholding, directly or indirectly, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for shares in any member of the Group.

As at the Latest Practicable Date, KPMG did not have any interest, direct or indirect, in any assets which since 30 June 2012, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

9. MATERIAL CONTRACTS

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group within two years immediately preceding the date of this circular:

(a) the shareholders' agreement among Vix East Asia, More Legend, Landcity and ERG Greater China BVI dated 16 June 2011 in relation to the management and operations of ERG Greater China BVI;

(b) the termination agreement between Vix Holdings, BETIT Australia Pty Ltd and ERG Transportation Greater China Pty Ltd ("**ERG Greater China**"), dated 16 June 2011 in relation to the termination of the joint venture agreement in relation to the establishment and management of ERG Greater China;

(c) the sale and purchase agreement between ERG Greater China and ERG Greater China BVI dated 21 June 2011 in relation to the transfer of the entire equity interest in the Company at nil consideration;

(d) the instrument of transfer dated 27 June 2011 signed by ERG Greater China and Beijing City Railway in relation to the transfer of the entire equity interest in ERG HK (being 1,000 shares) from ERG Greater China to Beijing City Railway at nil consideration;

(e) the supplemental subscription agreement amongst BII HK, ERG Greater China BVI and the Company dated 6 July 2011 in respect of the sale of 14.19% equity interest in the Company;

(f) the side letter amongst BII HK, ERG Greater China BVI and the Company dated 6 July 2011 in relation to the delay of the relevant completion date;

(g) the agreement relating to the management and operation of the Company signed amongst ERG Greater China BVI, Guotai Junan, BII HK, the Company, More Legend, Great Legend Development Limited, Beijing City Railway, ERG HK, ERG Transit Systems (China) Ltd. and BII ERG dated 6 July 2011;

(h) the equity pledge agreement amongst BII HK, Beijing City Railway and ERG BJ dated 6 July 2011 in respect of the pledge of 70% equity interest in the registered capital of ERG BJ held by Beijing City Railway to BII HK;

(i) the supplemental equity pledge agreement amongst BII HK, BII, Beijing City Railway, BII ERG and ERG BJ dated 6 July 2011 in respect of the pledge of 44% equity interest in the registered capital of BII ERG held by ERG BJ to BII;

(j) the entrustment agreement amongst Beijing City Railway, BII HK and the Company dated 6 July 2011 in respect of the entrustment of HK$8 million by the Company;

(k) the supplemental subscription agreement amongst BII HK, More Legend and the Company dated 31 October 2011 in respect of the compensation mechanism of BII HK regarding the sale of 14.19% equity interest in the Company;

(l) the supplemental subscription agreement amongst Guotai Junan, More Legend and the Company dated 31 October 2011 in respect of the sale 6.53% equity interest in the Company;

(m) the entrustment agreement amongst Beijing City Railway, BII HK and the Company dated 23 December 2011 in respect of the entrustment of HK$19,511,300 by the Company to BII HK;

(n) the deed of non-competition dated 24 April 2012 and executed by ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang, as the controlling shareholders of the Company, in favour of the Company;

(o) the deed of non-competition dated 24 April 2012 executed by Vix Transportation in favour of the Company;

(p) the deed of non-competition dated 24 April 2012 executed by BII ERG in favour of the Company;

(q) the deed of indemnity dated 24 April 2012 and executed by ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang in favour of the Company, under which ERG Greater China BVI, More Legend, Mr. Cao and Ms. Wang have given certain indemnities in favour of the Group;

(r) the deed of confirmation dated 26 April 2012 executed by More Legend in favour of Beijing City Railway and the Company confirming More Legend's request to the Company to provide a loan to More Legend to deposit certain entrustment amount into the account of BII HK as collateral for certain payment obligation of More Legend;

(s) the deed of confirmation dated 26 April 2012 executed by ERG Greater China in favour of the Company confirming the name of the transferee "ERG Transportation Systems (Greater China) Pty Ltd." as printed on the instrument of transfer together with the relevant bought and sold notes dated 30 March 2010, has been misspelled and should be "ERG Transportation (Greater China) Pty Ltd";

(t) the conditional public offer underwriting agreement dated 2 May 2012 relating to the Hong Kong Public Offer (as defined in the Prospectus) entered into by the Company, the controlling shareholders, the executive Directors, the Joint Sponsors (as defined in the Prospectus), the Lead Manager (as defined in the Prospectus) and the Hong Kong Public Offer Underwriters (as defined in the Prospectus);

(u) the memorandum of understanding dated 7 November 2012 between the Company as purchaser and BII as vendor in relation to the acquisition of 46% equity interest in BII ERG;

(v) the confirmation of concert party arrangement dated 29 November 2012 entered into by More Legend, Vix East Asia and Landcity, pursuant to which the parties thereto confirmed that they are parties acting in concert in the operation and management of ERG Transportation Greater China Company Limited and the Company since the date of listing of the Company; and

(w) the Acquisition Agreement.

10. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was or is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was or is known to the Directors to be pending or threatened by or against any members of the Enlarged Group.

11. AUDIT COMMITTEE

The Company established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rule 5.28 and Rule 5.29 of the GEM Listing Rules. The written terms of reference of the Audit Committee was adopted in compliance with paragraph C.3.3 and C.3.7 of the Corporate Governance Code and Corporate Governance Report as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the audit committee, among other things, are to make recommendation to the Board on the appointment, re-appointment and removal of external auditor; review the financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company. The Audit Committee is currently composed of all three independent non-executive Directors, namely, Mr. Luo Zhenbang (Chairman), Mr. Hu Zhaoguang and Mr. Bai Jinrong.

Mr. Luo Zhenbang served as an independent director of several companies listed in the People's Republic of China, including Long March Vehicle Technology Company Limited (now known as China Aerospace Times Electronics Company Limited) (Stock Code: 600879) and AVIC Heavy Machinery Company Limited (Stock Code: 600765), each a company listed on the Shanghai Stock Exchange; Ningxia Orient Tantalum Industry Company Limited (Stock Code: 962), Wuzhong Instrument Company Limited (now known as Ningxia Yinxing Energy Company Limited) (Stock Code: 862) and Ningxia Zhongyin Cashmere Company Limited (Stock Code: 982), each a company listed on the Shenzhen Stock Exchange. Mr. Luo has been the independent non-executive director of China Aerospace International Holdings Limited (Stock Code: 31), a company listed on the Main Board of the Stock Exchange since December 2004.

Mr. Hu Zhaoguang has been the chairman of audit committee and an independent non-executive director of Digital China Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 861)) since September 2004, an independent non-executive director of BBMG Corporation (a company listed on the Main Board of the Stock Exchange (Stock Code: 2009)) since August 2008 and the chairman of remuneration committee and an independent non-executive director of China Ground Source Energy Limited (a company listed on the GEM of the Stock Exchange (Stock Code:8128)) since July 2012. Prior to joining our Group, Mr. Hu was successively chairman of the board of directors of Beijing Enterprises Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 392)) between April 1997 and May 2003, chairman of Beijing Holdings Limited from May 1997 to May 2003 and an independent non-executive director of China Overseas Land and Investment Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 688)) from April 2000 to May 2003.

Mr. Bai Jinrong was the executive director of Beijing Enterprises Holdings Limited (a company listed on the Main Board of the Stock Exchange (Stock Code: 392)) from June 2005 to June 2011.

Save as the aforesaid, the members of the Audit Committee do not hold directorships in any listed companies. For details of the biography of Mr. Luo Zhenbang, Mr. Hu Zhaoguang and Mr. Bai Jinrong, please refer to the 2012 annual report of the Company and the announcement of the Company dated 13 November 2012.

12. GENERAL

(a) The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business of the Company in the PRC is located at Room 1705F1, Level 17, Qingyun Modern Plaza, Block 9, Mantingfang Garden, Qingyun Lane, Haidian District, Beijing, the PRC.

(c) The principal place of business of the Company in Hong Kong is located at Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.

(d) The company secretary of the Company is Mr. Lau Kwok Fai Patrick, who is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(e) The Company's compliance officer is Mr. Cao Wei, who is the chief executive officer of the Company and also an executive Director.

(f) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

(g) The English text of this circular prevails over its Chinese translation in the case of discrepancy.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Unit 4407, 44/F, COSCO Tower, 183 Queen's Road Central, Hong Kong, during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for the year ended 30 June 2012;

(c) the Prospectus;

(d) the accountants' report of the Target Group from KPMG, the text of which is set out in Appendix II to this circular;

(e) the accountants' report from KPMG on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III to this circular;

(f) the written consent referred to in the paragraph headed "Qualification and consent of expert" to this appendix;

(g) the material contract(s) referred to in the paragraph headed "Material contracts" in this appendix; and

(h) this circular.

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: 8240)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**Meeting**") of China City Railway Transportation Technology Holdings Company Limited (the "**Company**") will be held at Room 915, 9/F, 2nd Building, Jingtou Plaza, No. 6 Xiaoying North Road, Chaoyang District, Beijing, the People's Republic of China on Tuesday, 25 June 2013 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without modification the following resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(a) the form and substance of the agreement (the "**Acquisition Agreement**") dated 8 May 2013 and entered into between Beijing City Railway Holdings Company Limited, a wholly-owned subsidiary of the Company, as purchaser and Beijing Infrastructure Investment (Hong Kong) Limited, as vendor, in relation to the acquisition ("**Acquisition**") of the one allotted and issued ordinary share of Innovation Holding Co., Ltd., representing its entire issued share capital from the Vendor by the Purchaser (a copy of the Acquisition Agreement has been produced to the Meeting and marked "A" and signed by the chairman of the Meeting for the purpose of identification) and all the transactions contemplated thereby; be and are hereby approved and any one director of the Company be authorised for and on behalf of the Company, among other matters, to sign, execute, perfect, deliver or to authorise signing, executing, perfecting and delivering the Acquisition Agreement, and all such documents and deeds, to do or authorise doing all such acts, matters and things as he may in his discretion consider necessary, expedient or desirable to give effect to and implement and/or complete all matters in connection with the transactions contemplated in each of the Agreements and to waive compliance from or make and agree such variations of a non-material nature to any of the terms of the Acquisition Agreement, as he/she may in his absolute discretion consider to be desirable and in the interests of the Company and all of such director's acts as aforesaid be hereby approved, ratified and confirmed; and

(b) subject to completion of the Acquisition, the directors of the Company be and are hereby generally and specifically authorised to allot and issue up to 154,192,094 new shares of HK$0.01 each in the capital of the Company as consideration shares in accordance with the terms and conditions of the Acquisition Agreement.

Yours faithfully,
By order of the Board
China City Railway Transportation Technology Holdings Company Limited
Cao Wei
Chief Executive Officer

Hong Kong, 7 June 2013

Registered office:
Floor 4, Willow House
Cricket Square
P.O. Box 2804
Grand Cayman KY1-1112
Cayman Islands

Head office and principal place of business in the PRC:
Room 1705F1, Level 17
Qingyun Modern Plaza
Block 9, Mantingfang Garden
Qingyun Lane, Haidian District
Beijing
The PRC

Principal place of business in Hong Kong
Unit 4407, 44/F
COSCO Tower
183 Queen's Road Central
Hong Kong

Notes:

1 A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.

2 To be valid, the form of proxy and/or a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited at the offices of the Company's Hong Kong branch registrar, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong, not later than 48 hours before the time of the meeting or any adjourned meeting.

3 Delivery of an instrument appointing a proxy should not preclude member from attending and voting in person at the above meeting or any adjournment thereof and in such event, the instrument appointing a proxy shall be deemed to be revoked.

4 In the case of joint holders of a share, any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he/she/it were solely entitled thereto to. If more than one of such joint holders are present at the above meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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